MARICOPA COUNTY, ARIZONA

CITIZENS - TASK FORCE ON

THE COUNTY HEALTHCARE SYSTEM

REPORT AND RECOMMENDATIONS TO BOARD OF SUPERVISORS

March 31, 2003

CITIZENS' TASK FORCE
ON THE COUNTY HEALTHCARE SYSTEM
TASK FORCE MEMBERS

1. **Merwin D. Grant, Chair; senior partner, Grant Williams P.C. law firm; Board Member Maricopa Integrated Healthcare System.**

2. **Monte DuVal, M.D., Vice Chair; ret.; former vice president for health sciences at University of Arizona; former senior vice president for medical affairs at Samaritan Health Systems.**

3. **Ken Johnson, Jr., M.D.; private practice physician; Board Member Maricopa Integrated Healthcare System.**

4. **Charles Shipley; president, Shipley & Associates, consulting firm; Board Member Maricopa Integrated Healthcare System.**

5. **Marco Canulla, M.D.; chief executive Medical Professional Associates of Arizona; chair of department of surgery at Maricopa Medical Center; program director for Maricopa Medical Center general surgery residency program. Non-voting member.**

6. **Pam Wight; president and Board Member Maricopa County Board of Public Health.**

7. **Peter Fine; president and chief executive of Banner Health Systems.**

8. **Leonard Kirschner, M.D.; Board Member Arizona Hospital and Healthcare Association; former director Arizona Health Care Cost Containment System.**

9. **Ted Williams; president and chief executive of Arizona Behavioral Health Corp.; Board Member St. Joseph's Foundation; former Director Maricopa County Health Services; former Director Arizona Department of Health Services.**

10. **Raymond Woosley, M.D.; vice president for health sciences at University of Arizona and his colleague, Dr. Jacqueline Chadwick, associate vice president Arizona Health Sciences Center, University of Arizona Phoenix Campus; clinical professor, family and community medicine; associate professor, public health.**

ON THE COUNTY HEALTHCARE SYSTEM
EXECUTIVE SUMMARY

Responsive to its mandate, following weeks of testimony, analysis and debate, the Maricopa Integrated Health System ("MIHS" or "the System") Citizens' Task Force ("Task Force") proffers (1) its recommendations in executive summary form, together with (2) further explanation in accompanying Report and attachments.

THE TASK FORCE

Worthy of specific note, the Task Force members, whether by design or by default, are broadly diverse with various current and historical attachments and affiliations including with private hospitals, public health, doctor groups, citizen action groups, medical practitioners, universities, government entities at local, state and federal levels, private consulting firms and with MIHS itself. The members' breadth and depth of experience and expertise are especially notable.

Notwithstanding their diversity and individual perspective, the members of the Task Force wish to report and acknowledge unanimity of purpose and conclusion.

The Task Force further wishes to thank those scores of interested community members, hospital and county employees, elected officials, administrators, staff, patients, doctors, nurses, professionals, neighborhood groups, association representatives and others who have testified, consulted, explained, lobbied and otherwise provided insight into what was and is a difficult and important task.

THE TASK

The Maricopa County Board of Supervisors (the "Supervisors") charged the Task Force to provide specific recommendations affecting the following elements of the System:

1. The mission;
2. Scope of service;
3. Governance; and
4. Funding.

The Task Force members approached the task committing to leave individual interests and bias at the door while reaching conclusions that are in the considered and best interest of patients, professionals and the community at large. Task Force members have attempted to engage a pragmatic, fiscally responsible approach to reach conclusions and make

recommendations. Recommendations with little or no prospect of legislative and public support have been assiduously avoided.

Especially worthy of note is the Task Force's conclusion that, while MIHS is the principal provider of services in Maricopa County for the so-called "safety net" patients (described generally below but by choice not specifically defined), MIHS is absolutely not alone in providing services to the uninsured, the working poor, the undocumented and others unable to pay. All hospitals, in part because of charitable choice, but in larger portion by legal mandate, face the costs of uncompensated care. Passage of EMTALA (Emergency Medical Treatment and Active Labor Act, 1986) requires that all healthcare providers with emergency rooms provide treatment regardless of ability to pay. Uncompensated care is an unrelenting and increasing financial drain for all providers. Assistance to one institution inevitably affects others. Cessation of services of one inevitably and significantly affects others as has been poignantly demonstrated with the recent closing of emergency room services at one hospital.

THE MISSION

The current mission statement is as follows:

> *To provide a full spectrum of high quality, wellness oriented healthcare in an organized, cost sensitive, and customer-oriented academic environment.*

We see no reason to change the mission statement. An explanation is warranted.

We have had singular difficulty in defining what MIHS is and does. It is insufficient to acknowledge or identify the component parts, to wit, the hospital at Maricopa Medical Center ("MMC"), the twelve (12) (soon to be 11 because of financial difficulty) Family Health Centers (FHC), the mental health facilities, the health plans, the pharmacy, the specialty health center, the physician group, the graduate teaching program and its other parts. To understand what MIHS does, or is for that matter, one must examine and understand the System in the context of its century old history, its commitments, its reputation, its diversity, its cultural understanding, its employee devotion, its efficiencies, its inefficiencies, its volunteer components and its devotion to the community. One cannot explain or describe MIHS by referring solely to the nationally recognized Arizona Burn Center, its level I trauma center, its HIV/AIDS program, its neonatal intensive care program, its correctional medicine, its mental health treatment of adjudicated patients, or its pediatric services including pediatric emergency.

Rather, the best explanation is one that recognizes that the System is, to define it simply but accurately, a public teaching hospital and healthcare system that over the decades has

become an institution, a community institution. It is an institution whose historical and core mission is charitable in principal part. MIHS serves many, but in the end, it is there to serve the poor; the working poor, the underinsured, the uninsured, the single parent who cannot afford healthcare coverage, the homeless, and those who simply cannot pay for vital services they must have.

As one member of the Task Force voiced: AIt is what it is; to lose it would be a catastrophe.

SCOPE OF SERVICES

The Task Force recognizes that the science of medicine is evolving. Treatment protocols are not static, rather subject to constant modification. Many programs existing ten years ago are not extant. In that light and for other reasons, the Task Force chooses not to provide recommendations as to the closure of any portion of the hospital or System. The professionals, including doctors who make management, administrative and medical decisions, should be allowed the flexibility of deciding which programs continue.

The Task Force further recognizes that as a means of balancing budgets, some services may have to be curtailed or deleted entirely. Alternatively, the System will be forced to deny care to those who cannot pay, a solution that is contrary to the mission and should be avoided.

In analyzing the scope of services, the Task Force concludes that a System closure would burden the medical community and the population at large. Phoenix is not a market of over capacity. To the contrary, there are not enough hospital beds and facilities. Increases in population and emergency room use are making heavy demands on strained resources.

In the event of closure, it is unlikely that, in the short run, the following services could or would be fully assumed by other hospital/medical purveyors; prisoner care, burn center, level I trauma center, graduate education program, the HIV/AIDS care program and psychiatric services. Additionally, MIHS provides approximately $89 million a year in uncompensated care. Closure or cessation of service would result in flooding the emergency rooms of other hospitals and a significant increase in their uncompensated services.

It is recommended the scope of services be consistent with the System's historical purposes and functions -- to continue as a public teaching hospital and healthcare system principally directed to the poor.

GOVERNANCE AND FUNDING

The Task Force examined and considered numerous governance alternatives. It also considered closure of the System. The Task Force strongly recommends continuing support for MIHS and its mission. The Task Force further recommends that the Supervisors seek legislation to establish a special district to receive, hold and administer the MIHS assets and operations, including MMC, the FHCs, Desert Vista and the health plans, and which would:

1. Promote the continued success of the MIHS core mission of providing healthcare services to the poor, uninsured and vulnerable population, without creating any legal mandate or private entitlement (a statement affirming this mission should be included in any proposed legislation);

2. Provide for a public vote to authorize the district;

3. Provide for public vote to authorize a property tax levy not to exceed ten percent (10%) of the average annual expenditures of MIHS;

4. Provide for the issuance of bonds, subject to a public vote and limited to a maximum of ten percent (10%) of the secondary assessed valuation of taxable property in the district;

5. Provide for a public vote to elect a governing board of nine members, four at large and one each representing the five districts in Maricopa County;

6. Authorize the district to adopt more favorable employment and procurement policies and procedures;

7. Establish negotiated limitations and requirements on MIHS to further the interrelationship between MIHS and the community's non-public healthcare systems, *e.g.*, to limit the location of any new or replacement MIHS hospital for ten (10) years to within a three (3) mile radius of the current location of MMC (except that the district may acquire an existing hospital); to operate no more than one hospital without voter approval[1]; and to prohibit the simultaneous operation of hospitals by Maricopa County and the district; and

8. Permit joint ventures or partnering.[2]

---

[1] This does not include Desert Vista Hospital in Mesa, Arizona.

[2] For example, the development of a district would allow negotiations to proceed for a public-private partnership of MIHS with local community teaching hospitals

Attached as Exhibit 1 is draft legislation based on existing A.R.S. § 48-5501, *et seq*. If enacted, the legislation would establish the legal mechanism to implement the above recommendations.

The Task Force recognizes the need for flexibility during the legislative process. The draft legislation is a starting point intended to facilitate legislation which incorporates the Task Force recommendations.

REASONS FOR FUNDING NEEDS

The fiscal problems identified in the report are not the result of excesses or inefficiencies. The cause is better explained by understanding (1) the substantial effect of uncompensated care ($89 million annually); (2) the effect of County expenditure limits on MIHS; (3) the loss of income resulting from the withdrawal from MIHS of the exclusive Arizona Long Term Care System ("ALTCS") contract rights; (4) the diversion of federal and state Disproportionate Share Hospital Program funds ($50 million annually) away from MIHS into the State's general fund; and (5) the historical lack of capital improvement funding. Had MIHS been favored with either or both of the latter, the needs now identified would not exist or would be significantly less.

CONCLUSION

We do not wish to overstate. We do not wish to alarm. Nevertheless, we must report that there is a crisis. Emergency services are in a crisis community-wide. There is a crisis of financing. The System has its own crisis. One writer has characterized the safety net situation in Maricopa County thus: "Run on a shoestring – with compassion, grit and resolve." The decades-old MMC is an antiquated facility. It has been suggested that MMC is "waiting for one busted pipe to close it down." That statement is, of course, an exaggeration. The absolute need for capital expenditures is not exaggerated. The emergency facilities are inadequate and overcrowded. The hospital rooms are shared by four patients with remote communal bathrooms. Electrical, plumbing, HV AC and other systems have been repaired one too many times and need to be replaced.

---

and the University of Arizona College of Medicine in the developing Phoenix-based Arizona Biomedical Collaborative (collaboration among UA, ASU, NAU and local teaching hospitals).

The System had significant operating losses last year. Shortfall funding of the deficit by the County or State is not assured. The County faces its own fiscal problems resulting, in part, from the States's deficit. The number of uninsured is increasing, margins are smaller as costs increase more rapidly than reimbursements. Population increases put additional pressure on strained resources. The future portends the fact of more overloading of safety net programs. Because State and County funding of the System's needs is not assured, and because the System should continue serving the poor and vulnerable in the community, the rational course is for MIHS to establish and secure a dedicated, stable and secure revenue stream with a special district to administer it. With both, MIHS will be better able to fulfill its core mission to provide quality healthcare services to the poor, uninsured and otherwise vulnerable population in Maricopa County.

SYNOPSIS OF RECOMMENDATIONS

MISSION

1. The current mission statement is as follows: *To provide a full spectrum of high quality, wellness oriented healthcare in an organized, cost sensitive, and customer-oriented academic environment.* We see no reason to change the mission statement.

2. Promote the continued success of the MIHS core mission of providing healthcare services to the poor, uninsured and vulnerable population, without creating any legal mandate or private entitlement (a statement affirming this mission should be included in any proposed legislation).

SCOPE OF SERVICE

3. The Task Force concludes that a System closure would burden the medical community and the population at large. It is recommended the scope of services be consistent with the System's historical purposes and functions – to continue as a public teaching hospital and healthcare system principally directed to the poor.

GOVERNANCE

4. The Task Force recommends that the Supervisors seek legislation to establish a special district to receive, hold and administer the MIHS assets and operations, including MMC, the FHCs, Desert Vista and the health plans, and which would:

A. Provide for a public vote to authorize the district;

B. Provide for a public vote to elect a governing board of nine members, four at large and one each representing the five districts in Maricopa County;

C. Authorize the district to adopt more favorable employment and procurement policies and procedures;

D. Establish negotiated limitations and requirements on MIHS to further the interrelationship between MIHS and the community's non-public healthcare systems, *e.g.*, to limit the location of any new or replacement MIHS hospital for ten (10) years to within a three (3) mile radius of the current location of MMC (except that the district may acquire an existing hospital); to operate no more

than one hospital without voter approval; and to prohibit the simultaneous operation of hospitals by Maricopa County and the district; and

E. Permit joint ventures or partnering.

5. The general consensus of the Task Force is that the hospital should remain at the present campus unless deed restrictions, financial or other considerations support an alternate location. Ultimately, that decision should be left to the elected board.

6. The Task Force strongly recommends continuing support for MIHS and its mission.

FUNDING

7. Provide for public vote to authorize a property tax levy not to exceed ten percent (10%) of the average annual expenditures of MIHS.

8. Provide for the issuance of bonds, subject to a public vote and limited to a maximum of ten percent (10%) of the secondary assessed valuation of taxable property in the district.

9. The Task Force strongly recommends efforts toward (A) increasing payment to MIHS of Disproportionate Share Hospital Program funds paid as a result of uncompensated services provided to the public by MIHS; and (B) evaluating the inequities now existing, and working with the State to ensure that federal funds continue to be paid to Arizona.

10. During any transition, it is imperative that the County continue to provide assistance, services and funding to facilitate a seamless transfer of MIHS from the County to the new district.

FINALLY

11. The Task Force recommends that ongoing negotiations with the State, including the Governor's office, be vigorously pursued seeking an accord which would facilitate transfer of the property to the County or district without the reversionary restriction which now exists. Eliminating the Deed Restriction would further support MMC remaining at its present location.

12. The Task Force recommends the adoption of legislation similar to that encompassed in Exhibit 1 to this Report. The Task Force recognizes the need for flexibility

during the legislative process. The draft legislation is a starting point intended to facilitate legislation which incorporates the Task Force recommendations.

13. The Task Force recommends that an aggressive time line be followed to promote legislative authorization and voter approval of the taxing district.

Table of Contents

TASK FORCE PURPOSE

The Maricopa County Board of Supervisors (the "Supervisors") established the Citizens' Task Force on the County Health System ("Task Force") by resolution of January, 2003.[3] The Supervisors requested the Task Force to meet and address the current and future operation of the Maricopa County healthcare delivery and financing systems now existing as the Maricopa Integrated Health System ("MIHS").

The Supervisors identified four topics and directed the Task Force to study and explore those topics and to develop recommendations. The four topics were:

1. The mission for the County healthcare System;
2. The scope of services to be provided by the System;
3. The form of governance of the System; and
4. The long-term funding of the System's operations and capital requirements.[4]

The Supervisors requested the Task Force to attempt to reach a consensus on these topics and to convey the Task Force's recommendations to the Supervisors. This Report explains the Task Force recommendations.

---

[3] Exhibit 2, resolution.

[4] Exhibit 3, Citizens= Task Force issue list.

TASK FORCE APPROACH

The Task Force conducted public meetings on a weekly basis between January 17 and March 28, 2003. During those eleven public meetings, the Task Force members engaged in conversation and received directions and testimony from various members of the Board of Supervisors. Maricopa County staff provided information and testimony relating to the operations, finance, regulations and history of the System and of County government. The Task Force was advised by attorneys for MMC and for the County, including lobbyists.

The Task Force was addressed by and has questioned the County Manager, Deputy Budget Director, the Deputy County Administrator, Director of Governmental Relations, the MIHS Chief Executive Officer, the MIHS Chief Financial Officer and other managers. Doctors, nurses and board members of the System have testified or responded to inquiries from the Task Force. Task Force members met with outside financing consultants discussing various financing options. Task Force members have discussed at length policy considerations, forms of governance and legislative options.

Various citizen groups including community action program directors and members and community agency representatives made presentations to the Task force. Selected members of the business community have engaged in dialog as have patients. The Task Force has had general discussions with and a presentation by the Arizona Hospital and Healthcare Association. The Task Force met with a representative of the Governor's office and the chair

of the Arizona Senate Health Committee. Public comment was invited at each meeting. Meetings were well attended by the public.

Additionally, committees and work groups have been appointed and meetings have been conducted with, *inter alia*, representatives of other hospitals, associations and trade organizations.

The reading materials presented, some of which have been prepared for the benefit and at the request of the Task Force, have been voluminous and instructive. Maricopa County and MIHS staffs have been both quickly responsive and informative and are commended for their dedication and commitment.

INTRODUCTION

MIHS is the principal "safety net" provider in Maricopa County for the poor, the uninsured, the low income or the otherwise vulnerable members of the population.[5] The Institute of Medicine (IOM) defines the safety net as:

> Those providers that organize and deliver a significant level of healthcare and other related services to uninsured, Medicaid and other vulnerable populations.[6]

---

[5] There is no single generally accepted definition of the healthcare "safety net." Some definitions include what are termed the Core Safety Net, the Ultimate Safety Net and the Comprehensive Safety Net. See St. Lukes' Health Initiatives, Arizona Health Futures, *Squeezing the Rock: Maricopa County's Health Safety Net* (Winter 2002) [hereinafter *Squeezing the Rock*]. The Task Force references the Institute of Medicine definition, quoted above, for one perspective.

[6] Id.; Marion Ein Lewin and Stuart Altman (eds.), *America=s Health Care*

IOM further identifies two distinguishing characteristics of a "core" safety net provider:

1. Either by legal mandate or explicitly adopted mission they maintain an "open door," offering access to services for patients regardless of ability to pay.

Safety Net: Intact but Endangered, Committee on the Changing Market, Managed Care and the Future Viability of Safety Net Providers, Washington, D.C.: National Academy Press 2000.

2. A substantial share of their patient mix is uninsured, Medicaid and other vulnerable populations.[7]

After the passage of Proposition 204, Maricopa County no longer has a legal mandate to be the safety net for the County's population; the ultimate responsibility rests with the State. Nevertheless, the MIHS mission remains consistent with being a safety net provider in the County insofar as it is able to do so.

MIHS defines its mission:

> *To provide a full spectrum of high quality, wellness oriented healthcare in an organized, cost sensitive and customer-oriented academic environment.*

First and foremost, MIHS fulfills its core mission by providing necessary medical services to the poor and otherwise underserved members of the public. MIHS services do not end there.

MIHS is fulfilling at least part of its mission quite well -- providing high quality care in an academic environment. For example, the Arizona Burn Center at Maricopa Medical Center ("MMC") is world-renowned and one of very few such facilities in the Southwest. MMC contracts with surrounding states and serves northern Mexico for treatment and care of serious burn victims. The Burn Center has been verified as a burn center by the Committee on Trauma

[7] Marion Ein Lewin and Stuart Altman (eds.), *America's Health Care Safety Net: Intact but Endangered*, Committee on the Changing Market, Managed Care and the Future Viability of Safety Net Providers, Washington, D.C.: National Academy Press 2000.

of the American College of Surgeons and by the American Burn Association. This achievement recognizes Arizona Burn Center's dedication to providing optimal care for its patients. The Arizona Burn Center ranks fifth in the United States for patient volume. Together with the affiliated Arizona Burn Clinic, MIHS is providing quality and important care to burn victims in the region.

Maintaining the Burn Center requires affiliation with a level I trauma center. MMC's Level I Trauma Center (one of five in Maricopa County[8]) is one of only two facilities equipped for the large volume of pediatric trauma within Maricopa County, the other being St. Joseph's Hospital.[9]

---

[8] Daniel Caruso, M.D., presentation to Task Force.

[9] Successful treatment of pediatric trauma patients requires specially trained personnel and equipment. See American College of Surgeons, Committee on Trauma, *Resources for Optimal Care of the Injured Patient*, ch. 10: pediatric Trauma Care at 40 (1999). The Pediatric Intensive Care Unit is crucial to pediatric patients with serious trauma. MMC's Neonatal Intensive Care Unit and Pediatric/Neonate-trained medical personnel are indispensable to this segment of the patient population.

The MIHS Graduate Medical Education Programs ("GME") have made MMC a leading teaching institution, attracting residents nationwide. MIHS provides learning opportunities for third and fourth year medical students from the University of Arizona Medical School and elsewhere, for nursing and medical technology students at Arizona's community colleges, and training and certifications for the State's critical first responders. Studies suggest that more than 60% of the physicians who have their residency in Arizona remain in Arizona; thus the program attracts physicians who remain in Arizona and help reduce the State' shortage of physicians.[10]

After MMC's recent JCAHO survey, MMC achieved a 94% rating, MMC is more attractive to students than ever. Maintenance of MMC's GME programs benefits MIHS and the state financially. The federal government provides matching funds for GME programs funded in part with state funds. In Arizona for example, for each resident, the state pays about $7,000 and the federal government pays about $78,000, directly and indirectly.[11] Of the total GME funds for Arizona for 2002 of about $18 million, AHCCCS paid some $6 million to MMC in fiscal year 2002 for its Graduate Medical Education programs.[12] MMC's $6 million share was one-third of the total $18 million paid to the 14 teaching hospitals in Arizona.

---

[10] SLHI, Arizona Health Futures, *Graduate Medical Education* (Jan. 2003).

[11] Id.

[12] Id.

Thus, the Task Force recognizes that MIHS provides high quality care as well as academic opportunities to healthcare providers. The structure of MIHS creates certain inefficiency and obstacles. A district would allow some relief for example in allowing:

1. Merit compensation;
2. Less restrictive procurement regulations; and
3. Privacy relief; some vendors presently will not contract with MIHS because of concerns over proprietary information.

The Task Force concludes that the MIHS organizational structure should be modified.

THE FISCAL CRISIS

The Supervisors are acutely aware that MIHS faces a fiscal crisis. The Task Force will not presume to inform the Supervisors of all of the details of and reasons for the situation in Arizona's and the nation's healthcare systems. A broad overview of some elements of the issue is sufficient to provide background for the Task Force recommendations.

The cost of delivering medical service is increasing more rapidly than the rates of reimbursement. This means: (1) a growing portion of the population will be uninsured; (2) providers and practitioners will be forced to operate with decreasing – maybe even unacceptable – margins; (3) safety net programs will become overloaded, made worse in the context of a sagging economy. The 2001 figures available to the Task Force reveal that uncompensated care provided by the top five providers in Maricopa County's healthcare

systems was a staggering $318,000,000.[13] Of that amount, $89,000,000 (23% of the total) was incurred by MIHS.[14] Measured relative to gross charges, MIHS' ratio of uncompensated care is 19%, compared to 3% for Banner Health Systems, 4% for IASIS Healthcare Group, 4% for Vanguard Health System and 6% for John C. Lincoln Health Network.[15]

The uncompensated care that MIHS provi des to the poor, the fact that the State general fund receives and retains most of the Disproportionate Hospital Share Program ("DSH") funds, the State's decision to withdraw the exclusive contract rights for ALTCS from MIHS and the recent loss of some $3.3 million in annual funding for State Emergency Services, all contribute greatly to the crisis and elevate the need for a dedicated source of funding. MIHS experienced operating losses last year and faces losses going forward.

Some have speculated that a high percentage of the care provided by MIHS is provided to illegal aliens. Their speculations are wrong. Less than 10% of MIHS gross billings are for medical services provided to undocumented citizens.

WHAT "DSH" IS

---

[13] *Squeezing the Rock* at 16 (citing Arizona Hospital and Healthcare Association Survey).

[14] Id.

[15] Id. at 17 (all figures rounded to whole percentage).

DSH is Medicaid=s attempt to compensate hospitals that provide a disproportionate share of uncompensated services to low income Medicaid and uninsured patients ("dispro funds").[16] The federal dollars earned by MIHS flow directly to MMC but are then immediately passed through the County to the State where in principal part they are added to the general fund. In 2002, approximately $73 million in dispro funds were paid to Arizona by the federal government. The State matched a percentage of those funds ($36 million in 2002). Both were "laundered" back to the State's general fund. Flow charts of dispro funds for the years 2000 through 2002 are attached explaining the diversion.[17]

If MIHS were to close, the State would lose this mechanism, the justification and the federal funds derived for MIHS services. In the past three years, federal dispro funds for Arizona were:

2000 $81,000,000

2001 $68,000,000

2002 $73,000,000

Over the last several years, MIHS has received what has been called general funds subsidy it the amount of $13 million per year. The subsidy was considered a partial "payback" relating to dispro funds. The Task Force strongly recommends efforts toward (1) increasing payment to MIHS of dispro funds paid as a result of uncompensated services provided to the public by

[16] 42 U.S.C. § 1395ww(d)(5)(F).

[17] Exhibit 4, DSH flowcharts for 2000, 2001 and 2002.

MIHS; and (2) evaluating the inequities now existing and working with the State to ensure that federal funds continue to be paid to Arizona.[18]

NEED FOR CAPITAL FUNDS

As presently structured, MIHS has no dedicated and certain funding source(s) for operations or capital improvements, yet substantial capital improvements are needed as noted elsewhere in this report. Continuing operations require governmental funding to bridge the gap between System net revenues and expenses. The ability to fund MIHS capital improvements through such conventional sources as bonds is seriously hindered by the lack of a dedicated funding stream, by deed restrictions on the land occupied by MMC[19] and by other governmental regulations and limitations.

The committee recognizes the absolute need for a source of funding for these expenditures and its recommendations include a proposal to satisfy those needs.

CONSIDERATION OF CLOSURE AND DOWNSIZING

Some observers have suggested the MIHS issues be addressed by eliminating MIHS components, such as MMC, or by scaling back the level and/or types of services that MIHS provides. The Task Force considered these concerns and suggestions in forming its consensus.

---

[18] The Task Force discussed several options, including the district providing funds to the County via lease or offset for performance of services for the district. Also discussed was the possibility of the State receiving matching funds directly from the district if permitted under federal law.

[19] State v. Coerver, 100 Ariz. 135 (1966). In Coerver, Arizona's Supreme Court held that the land on which MMC (as well as the Arizona State Hospital) is located is subject to a restriction that the land be used for "county hospital purposes," and, if the land

The Task Force consensus is that MIHS and its components should not be closed down or substantially curtailed. The reasons are many. They include the important services that MIHS provides to the poor and the public support in the community for continuing those services.

The Task Force was provided with the MIHS Satisfaction & Support Survey, General Population June 2002, conducted by Maricopa County Office of Research & Reporting.[20] The Survey indicates a consensus of worth in the community for MIHS and its components. The Survey reveals relatively strong support for the continuation of MIHS and to support that continuation through the use of public money.

According to the Survey, 70% of respondents who said they are likely to vote would support an increase in sales tax to fund MIHS and its services, and 73% of those likely to vote would support the issuance of bonds. About 55% of those likely to vote would support MIHS funding via a property tax levy.

---

is not so used, the grantor has a right of reverter that it may, but is not required to, exercise.

[20] Exhibit 5. This survey did not identify whether the respondents were voters or not. Thus, a conclusion as to what all voters would do in an election should not be drawn.

The *Phoenix Business Journal* reported the results of a January 2003 poll by West-Group Research.[21] According to the report of the polling results,[22] 49% of the Phoenix area residents in general supported the formation of a county hospital tax district, 27% were opposed with 24% having no opinion. Support was 74% among those of Hispanic origins and 46% for non-Hispanic. The poll reports that 62% of blue collar workers support such a tax, 51% of white collar professionals and 35% of retirees. There is substantial support for public funds to support MIHS. It should be noted that public comment was invited at each Task Force meeting. Not one single person gave testimony advocating closure or diminution of services.

The importance of MIHS to the community is also reflected by the Survey. Of those responding, 41% believe that, were MMC and the family health centers ("FHC") not available, the impact on the community would be "devastation." Another 35% perceived that the elimination of MMC and the FHCs would result in a loss of care for the poor. Eighty-nine percent (89%) of the respondents in the Survey concluded that MIHS provides valuable services to Maricopa County. Eighty-two percent (82%) of the respondents concluded that Maricopa County has a responsibility to provide healthcare to those who cannot afford it and are not eligible for care through AHCCCS.

---

[21] Angela Gonzales, *Phoenix Business Journal*, Task Force to Address Future of County Hospital.

[22] No margins of error are mentioned in the article.

A survey of users of MIHS services, too, indicate that MIHS is fulfilling its mission.[23] FHC clients' composite score was 7.55 on a scale of 2 (very dissatisfied) to 8 (very satisfied), with a score of 5 being neutral.[24] Emergency Department users gave a composite score of 7.46; Outpatient Clinic users a score of 7.33, and a composite score of 7.55 for MMC.

Considering the Survey and poll results, as well as the testimony before the Task Force from individuals, groups, community action programs and representatives from the Arizona Healthcare and Hospital Association, the Task Force consensus is to recommend that MIHS continue to provide healthcare to the community. MIHS should continue in its role as the principal safety net provider for the poor, uninsured or otherwise vulnerable population in Maricopa County.

MIHS HAS DEVELOPED INSTITUTIONAL EXCELLENCE

MIHS has evolved into an important community asset. As an institution, the whole of MIHS is greater than the sum of its parts: MMC, the FHC's and the health plans. MMC is one of only five level I trauma centers in the County. MMC's Level I Trauma Center has the second highest patient volume in the State (St. Joseph's Hospital having the highest). MMC must maintain the level I trauma center in order to continue to operate its burn center. The level I trauma center is also a major recruiting tool to attract and retain medical residents and

---

[23] Exhibit 6, MIHS Client Satisfaction Survey (Oct.-Dec. 2002).

[24] Id.

physicians. The level I trauma center is also required to train many of the residents for the training programs at MMC and other Valley teaching hospitals. The level I trauma center is required for MMC to retain its position as a premier teaching hospital. At present, about 60% of MMC residents remain in Arizona to practice. Without that retention, the already existing shortage of physicians would be exacerbated.

MIHS is the sole provider of mental health services for patients referred through Maricopa County's judicial system. Other resources in the County have little capacity to absorb these patients. Discontinuing or curtailing the mental health services would also raise issues under Arnold v. Arizona Dept. Health Services.[25]

MMC provides treatment for high risk OB-neonatal care. Last year, MMC experienced approximately 6,000 births. The community's need for such services often renders all local facilities at or over capacity. Continuing these services is also required in order to maintain quality residency programs.

MIHS is also the largest provider for healthcare for HIV/AIDS patients. Other providers have little interest in this segment of the population.

[25] 160 Ariz. 593 (1989). In Arnold, Arizona's Supreme Court held that state and county have a mandatory statutory duty to provide mental healthcare to indigent chronically mentally ill persons and that both state and county have breached their duty to provide these services.

MIHS is the sole provider of services for prisoners. With the prison population continuing to increase, MIHS will continue to have a major role in providing those services.

IMPACT ON OTHER PROVIDERS

The Task Force heard strong testimony from the community hospital representatives and is of the view that, were MIHS to go out of existence or substantially restrict present levels of service, the impact on other healthcare providers would be significant, perhaps overwhelming. MIHS employs some 3,700 people. Terminating or eliminating some of those positions, while saving money, would contribute to the State's unemployment issues.

MIHS has 66,000 members in its Maricopa Health Plan. Terminating the plan would result in a significant increase in the number of people without affordable healthcare in the community.

Last year, MIHS at MMC experienced 560,000 outpatient visits, 78,000 ER visits and 29,000 admissions, including almost 6,000 deliveries – one every hour and a half. The Task Force believes that by requiring this volume of patients to seek healthcare elsewhere, nonpublic health care provider systems would be substantially burdened. This is particularly so given the mix of patients typically seen at MIHS facilities. Many would have no alternative except for more expensive emergency room treatment.

Were MMC to close, the Task Force believes that some of the more important services would not be replicated in the non-governmental sector. For example, no other facility in Arizona has a burn center. Loss of the burn center would adversely impact this element of healthcare in Arizona as well as surrounding states.

The Task Force consensus is that limiting or substantially curtailing the services provided by MIHS would amount to an abrogation of the core MIHS mission to provide a safety net for the vulnerable members of the County's population.

MIHS SCOPE OF SERVICES

MIHS presently operates (1) MMC and its ancillary facilities and services such as its burn center and level I trauma center; twelve (12) FHCs located around the County, the Comprehensive Health Center (CHC), the Desert Vista facility, and the health plans (Health Select, Senior Select, Maricopa Health Plan, Maricopa Long-Term Care Plan). MIHS also provides dental care services, mental health services, State and County correctional medicine, specialized neonatal and pediatric services and home health services. As discussed in the Executive Summary of this Report, the Task Force recommends that the System's services should not be significantly curtailed.

MIHS GOVERNANCE - OPTIONS CONSIDERED

The Task Force received information concerning structural options for MIHS. Those options were:

1. Maintain the status quo;
2. Sale or lease to a for-profit entity under A.R.S. §§ 11-251(9), 11-256 and 11-306;
3. Lease to a nonprofit entity under A.R.S. §§ 11-256.01 and 11-306;
4. Formation of a hospital district under A.R.S. § 48-1901;
5. Lease to a nonprofit entity under A.R.S. § 11-1401;

6. Creation of a special healthcare district under A.R.S. § 48-5201;

7. Formation of a public health services district under A.R.S. § 48-5801;

8. Formation of a public healthcare district under A.R.S. § 48-5501, modified as necessary by proposed legislation;

9. Utilizing the University Medical Center model under A.R.S. § 15-1637; and

10. Utilizing the Pima County model under A.R.S. § 11-256.03.

County staff attorneys and others provided information concerning each of these options related to the form of governance, method of creation, limited County liability, access to capital (tax and bond authority), power to joint venture, effect on County debt and expenditure limits, the deed restriction affecting the land on which MMC operates, procurement issues, applicability of public record law, bond restrictions, Arizona's disproportionate share of federal funds, transfer of health plans, operation of health plans, relationship to AHCCCS/ALTCS deposits, human resources issues, AHCCCS/ALTCS guarantee liability, timing issues, transfer of assets at reduced rate, real property tax liability, license and permit issues, Department of Insurance oversight and regulation, maintenance of system, family health centers, County provided insurance, zoning issues and employee retirement issues. The information provided is set forth as an exhibit to this report.[26] Staff also provided the Task Force with information concerning the operation of the University

[26] Exhibit 7, Maricopa County Healthcare System-Options.

Medical Center in Pima County. The information provided is attached as an exhibit to this Report.[27]

Task Force members discussed and explored these options with staff and among themselves. After due consideration and deliberation, the Task Force consensus is that MIHS should be restructured as a governmental special health services district (SHCD), with some modifications. Following are the principal reasons for this consensus.

The SHCD permitted by A.R.S. § 48-5501 has certain attributes that, if applied to MIHS, offers an attractive vehicle to address the fiscal issues already mentioned. Presently, however, the statute applies only to counties with populations of less than 90,000. To avail MIHS of this form of governance will require an initial amendment to the statute to bring the County within its terms. The proposed legislation would add a provision to the statute specifically applicable to Counties with populations of 2 million or more.[28] This will require legislative approval. Assuming such approval is obtained, the SHCD is the best of the alternatives for MIHS for several reasons. The following discussion assumes adoption of the proposed legislation.

The SHCD may be created only with the voters' approval. The creation of the SHDC will need the support of the public and the voters. The SHCD would be governed by a board of nine elected citizen directors, none of whom may be an elected state or county official. This makes the SHCD management accountable to the voters.

---

[27] Exhibit 8, Maricopa County Healthcare System-Options.

The legislation proposed by the Task Force also requires a public vote on the two most important funding sources for an SHCD, property taxes and the issuance of bonds. The SHDC's taxing authority is limited to the greater of $600,000 (in 1989 dollars, adjusted to current dollars), ten percent (10%) of the prior year expenditures, or ten percent (10%) of the three year average expenditures prior to transfer. No tax may be imposed and no bonds issued until the public has chosen to allow it.

The SHCD is a separate entity from the County. The SHCD's obligations, therefore, are not the County's obligations; although the County might voluntarily assume some. Similarly, the SHCD's assets are not those of the County. The SHCD's debt and expenditure limits are not included within the County's limits. The recommendation is for the County to transfer the assets and obligation for medical services to members of the health plans from MIHS to the SHCD for management, operation and administration. The assets could be transferred to the SHCD for less than fair market value with Board of Supervisors approval.

Responding to input by other hospitals, the Task Force proposes that specific limitations include a provision that MIHS may not, for ten (10) years, establish any new or replacement hospitals outside of a three (3) mile radius from the current site of MMC. The general consensus of the Task Force is that the hospital should remain at the present campus unless deed restrictions, financial or other considerations support an alternate location. Ultimately, that decision should be left to the elected board.

---

[28] See Exhibit 1, proposed A.R.S. § 48-5541.01.

The County and the existing board would continue to operate MIHS until the actual formation of the SHCD in July 2004. The SHCD would be empowered to adopt its own: (1) human resources policies; (2) procurement policies; and (3) merit system. As noted above, MIHS staff have indicated the certain lack of efficiency of administration under the currently applicable state procurement policies and procedures.

THE SPECIAL HEALTH CARE DISTRICT OPTION

The Task Force consensus is to seek legislation to authorize a Special Health Care District ("SHCD") in Maricopa County. The basic statutory authority for this form of governance for MIHS is contained in A.R.S. § 48-5501. However, certain amendments would be required to implement this option. Staff provided the Task Force with a draft of proposed legislation. A copy of the proposed amended statute is attached as an Exhibit to this Report.[29]

[29] Exhibit 1, 3/31/03 Draft - For Discussion Only.

The necessary amendment includes adding A.R.S. § 48-5541.01, Additional Powers and Duties of Special Health Care District. The proposed legislation makes the section applicable only to counties with a population of more than two million.[30] This would include Maricopa County, but not affect either Pima County or the current district in Apache County. The first important part of the amended statute is to allow the creation of the SHCD on the approval of the voters.[31]

The second important part of the amended statute is to prohibit the SHCD from constructing an additional general hospital outside of a three (3) mile radius of the existing facility (now, MMC) without the approval of the voters.

The third important part is to allow for the election of a governing board. The board would include nine members, four at large and one from each of the five County districts. Any imposition of the tax must be approved by the voters in a regular or special election.[32]

The fourth important point is to provide for issuing bonds for MIHS to finance operations and/or capital improvements. The SHCD would have authority to issue bonds on the approval of the voters.[33] The bonded indebtedness is capped at ten percent of the secondary assessed value of all taxable property in the district. A.R.S. § 48-5568.

---

30 Id.

31 Id.

32 Id.

33 Id.

The fifth important part of the proposed statute is to permit the SHCD to adopt its own procurement policies and procedures. The existing policies and procedures have proved cumbersome, inefficient and not conducive to fulfilling the MIHS mission.

The sixth important part of the proposed legislation is to permit the SHCD to adopt its own employee merit system. Like existing procurement policies and procedures, the present merit system is ineffective for MIHS.

MMC DEED RESTRICTION

The reversionary interest imposed on the hospital site (24th Street & Roosevelt) (the "Deed Restriction") has restricted the operation and improvement of the Medical Center for four (4) decades. The Arizona Supreme Court recognized the County's ownership of the property subject to a charitable trust for the benefit of the "mentally ill."[34]

Consistent with the Arizona Supreme Court ruling, the State conveyed the property subject to a right of reversion (but not the obligation) in the event the land ceased being used for "county hospital purposes." The Deed Restriction severely limits MIHS, making financing and bonding more expensive and difficult. It precludes many options including some sales and trades. It may further be an impediment to the Task Force recommendation to transfer the MMC property to a Special Health Care District.

The Task Force recommends that ongoing negotiations with the State, including the Governor's office, be vigorously pursued seeking an accord which would facilitate transfer of

[34] State v. Coerver, 100 Ariz. 135 (1966).

the property to the County or district without the reversionary restriction which now exists. Eliminating the Deed Restriction would further support MMC remaining at its present location.

CHECKS AND BALANCES

The recommendation incorporates within it certain checks and balances intended to protect the taxpayer, other hospitals and healthcare systems while providing to MIHS an operating structure, together with taxing authority, which will allow it to continue its mission. In the governance area, the governing board will be elected by the public and thus must answer for reelection. The creation of the district requires a majority vote of the people within the district registered to vote. The approval of taxing authority requires a majority vote of the people within the district registered to vote. Generally, no bonding may occur without a public vote. There is a statutory limitation equal to 10% of the average of the fiscal year expenditure amounts related to the operation of the health system for the three fiscal years immediately preceding the year of formation of the district.

The Task Force concludes that the SHCD approach is preferred for a variety of reasons. Most important, it involves the voters in the process, giving them the choice to continue MIHS' services to the public. The voters must approve the creation of the SHCD, elect its governing members to four-year terms, and authorize the imposition of a property tax or bond indebtedness.

RECOMMENDED TIME LINE

The aggressive projected time line proposed by the Task Force expressly appreciates the urgency of the MIHS financial situation, the realities of the legislative process and the need for the support of all those involved. With immediate action, the Task Force submits the following time line as the appropriate goal[35]:

May 2003 - Obtain legislative approval of the proposed amendments to the Special Health Care District law.

July 2003 - The Supervisors call for election to:

1. Authorize formation of the SHCD;
2. Elect the initial members of the board of directors for SHCD;
3. Authorize the issuance of bonds under A.R.S. § 48-5266, as added by the amended statute; and
4. Authorize property tax levy.

November 2003 - general election to approve formation of the district as of July 1, 2004.

February 2004 - elect directors.

July 2004 - Property tax goes into effect. District board begins its operations of MIHS, which is transferred, together with the health care plans effective this date.

[35] Exhibit 9, a graphic time line is attached.

During any transition, it is imperative that the County continue to provide assistance, services and funding to facilitate a seamless transfer of MIHS from the County to the new district.

The elected board should convene prior to July 1, 2004, to begin establishing and implementing policies and procedures and a plan to commence operations of the new district.

CONCLUSION

The Task Force wishes to acknowledge the invaluable assistance and contributions of physicians, administrators, nurses, technicians, professionals and others who make MIHS and its outstanding service to the community. We applaud their efforts and results.

As noted in the Executive Summary, one writer has described the safety net services in this community as: "Run on a shoestring with compassion, grit and resolve." In many ways, that is a fair statement. The Task Force recommendations are intended to continue the core mission of the System.

Finally, should necessary legislation and voter approval not be obtained for any reason, the Task Force recommends it or another panel be convened to reevaluate and consider other options.

RESPECTFULLY SUBMITTED TO THE SUPERVISORS on March __, 2003.

_____
Merwin D. Grant, Chair

_____
Monte DuVal, M.D., Vice-Chair

_____
Ken Johnson, Jr., M.D.

_____
Charles Shipley

_____
Marco Canulla, M.D.

_____
Pam Wight

_____
Peter Fine

_____
Leonard Kirschner, M.D.

_____
Ted Williams

_____
Jacqueline Chadwick, M.D.

3/31/03 Draft-For Discussion Only

TITLE 48 SPECIAL TAXING DISTRICTS

CHAPTER 31 – SPECIAL HEALTHCARE DISTRICT

Article 1 - General Provisions

48-5501. Definitions

In this article, unless the context otherwise requires:

1. "Medical clinic" means a facility that provides for physical evaluation, diagnosis and treatment of patients and that does not keep patients overnight as bed patients or treat patients under general anesthesia.

2. "Nursing care center" means a health care facility that provides inpatient beds or resident beds and nursing services to persons who need nursing services on a continuing basis but who do not require hospital care or direct daily care from a physician.

3. "Qualified electors" means persons who are qualified to vote pursuant to title 16.

4. "Urgent care center" means a health care facility that operates twelve to twenty-four hours a day seven days a week without inpatient beds but with facilities and limited hospital services for physical evaluation of outpatients and diagnosing or treating patients including surgery under general anesthesia.

48-5502. CREATION OF SPECIAL HEALTH CARE DISTRICT

A. THE BOARD OF SUPERVISORS OF A COUNTY WITH A POPULATION OF TWO MILLION OR MORE PERSONS PURSUANT TO THE MOST RECENT UNITED STATES DECENNIAL CENSUS MAY SUBMIT TO A VOTE OF THE QUALIFIED ELECTORS WHO ARE QUALIFIED TO VOTE PURSUANT TO TITLE 16, ARIZONA REVISED STATUTES AND WHO RESIDE IN A PROPOSED SPECIAL HEALTH CARE DISTRICT THE QUESTION OF FORMING THE SPECIAL HEALTH CARE DISTRICT WITH THE AUTHORITY TO LEVY THE SECONDARY PROPERTY TAX AUTHORIZED PURSUANT TO SECTIONS 48-5563, 48-5564 AND 48-5565 ARIZONA REVISED STATUTES, IF THE AREA ENCOMPASSED WITHIN THE PROPOSED DISTRICT MEETS ONE OF THE FOLLOWING REQUIREMENTS:

1. IS AN AREA DESIGNATED AS A HEALTH PROFESSIONAL SHORTAGE AREA AS DEFINED IN 42 CODE OF FEDERAL REGULATIONS PART 5.

2. IS AN AREA DESIGNATED AS MEDICALLY UNDERSERVED BY THE DEPARTMENT OF HEALTH SERVICES.

3. IS FIRST APPROVED BY THE DEPARTMENT OF HEALTH SERVICES AS AN AREA NEEDING ADDITIONAL HEALTH CARE FACILITIES, OR

4. IS AN AREA IN WHICH A COUNTY CURRENTLY MAINTAINS A COUNTY HOSPITAL.

B. THE BOARD OF SUPERVISORS SHALL ESTABLISH THE BOUNDARIES OF THE PROPOSED DISTRICT BEFORE THE ELECTION.

C. IF A MAJORITY OF THE QUALIFIED ELECTORS VOTING ON THE ISSUE APPROVES THE FORMATION OF THE SPECIAL HEALTH CARE DISTRICT AND ITS TAXING AUTHORITY, THE BOARD OF SUPERVISORS SHALL ORDER THE CREATION OF THE SPECIAL HEALTH CARE DISTRICT. THE ORDER OF THE BOARD OF SUPERVISORS CREATING THE SPECIAL HEALTH CARE DISTRICT IS FINAL, AND THE SPECIAL HEALTH CARE DISTRICT SHALL BE CREATED PURSUANT TO THE ORDER TO CREATE THE DISTRICT.

D. THE BOARD OF SUPERVISORS MAY ALSO INCLUDE AT THE SAME ELECTION:

1. THE ELECTION OF DIRECTORS OF THE DISTRICT, AS PROVIDED BY TITLE 16, CHAPTER 23, ARIZONA REVISED STATUTES, AS ADDED BY THIS ACT.

2. THE AUTHORIZATION OF BONDS PURSUANT TO SECTION 48-5566, ARIZONA REVISED STATUTES, AS ADDED BY THIS ACT.

E. A SPECIAL HEALTH CARE DISTRICT IS A TAX LEVYING PUBLIC IMPROVEMENT DISTRICT FOR ALL PURPOSES OF ARTICLE XIII, SECTION 7, CONSTITUTION OF ARIZONA, TO THE EXTENT OF THE POWERS, PRIVILEGES AND IMMUNITIES CONFERRED BY THIS CHAPTER OR GRANTED GENERALLY TO TAX LEVYING PUBLIC IMPROVEMENT DISTRICTS BY THE CONSTITUTION AND STATUTES OF THIS STATE.

48-**5503.** Board of directors; elections; officers

A. The board of directors of a special health care district organized under this chapter shall consist of five citizens who are resident real property owners in the district and who are qualified electors in the district, and none of whom is an elective or appointive state or county official.

B. The county board of supervisors may divide the district into five directorship districts, numbered respectively as districts one, two, three, four and five. The board of supervisors shall define the boundaries and limits of each directorship district and shall make each district equal or as nearly equal in population as is practicable.

C. The board of directors is a body corporate, under the name "board of directors for _____ special health care district" with the district's name inserted.

48-**5504**. Term of office; election

A. Directors shall serve four year terms of office beginning on the first Monday immediately following the declaration of election to office.

B. Elections shall be held on either the fourth Tuesday in February, the second Tuesday in June or the first Tuesday after the first Monday in November of ANY ~~every even numbered~~ year. If only one person files a nominating petition for an election to fill a position on the board of directors for which the term of office is to expire, the board of directors may cancel the election for that position and appoint the person who filed a nominating petition to fill the position. Vacancies occurring other than by expiration of term may be filled by the remaining members of the board of directors.

48-**5505.** Officers of the board

Within thirty days after an election the board of directors shall meet and organize by electing a chairman and a vice-chairman from its members. In addition, the board of directors may appoint a secretary who shall not be a member of the board and who may be paid a salary fixed by the board.

48-**5506.** Compensation of directors

Members of the board of directors shall serve without compensation, but each is allowed:

1. Necessary travel and incidental expenses actually incurred in performing official district business as approved by the board of directors.

2. Per diem determined pursuant to title 38, chapter 4, article 2, when away from the district on business of the district.

48-**5507.** Reimbursement for county services

Services provided by a county to a special health care district are subject to reimbursement pursuant to section 11-251.06.

48-**5508**. Dissolution of district

A. A district that is organized under this chapter may be dissolved by the majority vote of all qualified electors voting on the question of dissolution at a special election called to vote on the question. The district shall not be dissolved if the district has outstanding debt unless adequate provisions have been made for the payment of the outstanding debt.

B. The county board of supervisors shall call the election on either:

1. Application by the district board of directors.

2. Filing a petition signed by twenty-five per cent of the qualified electors of the district.

C. If a district is dissolved, the board OF DIRECTORS shall:

1. Pay or make provision for paying all liabilities of the district.

2. Convey to the county all property, buildings, equipment and other items owned by the district.

Article 2 - Powers and Duties

48-5541. Powers of special health care district

A special health care district may:

1. Adopt and use a corporate seal.

2. Sue and be sued in all courts and places and in all actions and proceedings.

3. Purchase, receive, take, hold, lease, use and enjoy property of every kind and description in the district, and control, dispose of, sell, convey, encumber and create leasehold interests in property for the benefit of the district.

4. Administer trusts declared or created for the district, and receive by gift, devise or bequest and hold in trust or otherwise, property located in this state or elsewhere and, if not otherwise provided, dispose of trust property for the benefit of the district.

5. Operate and maintain, or provide for the operation and maintenance of, at one or more locations in the district, hospitals, urgent care centers, medical clinics, nursing care centers, a combined hospital and nursing care center, a combined hospital, nursing care center and ambulance service, a combined urgent care center and ambulance service, OR ANY OTHER HEALTH SYSTEM ASSET AND HEALTH SYSTEM LIABILITY, AS DEFINED IN SECTIONS 11-1401(13), (14) AND (15) ARIZONA REVISED STATUTES, owned or operated by the district.

6. Contract with an existing hospital, urgent care center, nursing care center, ambulance service, city, town or fire district in the district to provide hospital, urgent care, nursing care and ambulance related services.

48-5541.01 ADDITIONAL POWERS OF SPECIAL HEALTH CARE DISTRICT

A. THIS SECTION SHALL APPLY ONLY TO COUNTIES WITH A POPULATION OF TWO MILLION OR MORE PERSONS PURSUANT TO THE MOST RECENT UNITED STATES DECENNIAL CENSUS.

B. THE BOARD OF DIRECTORS OF A SPECIAL HEALTH CARE DISTRICT ORGANIZED UNDER THIS CHAPTER SHALL CONSIST OF NINE CITIZENS WHO ARE RESIDENT REAL PROPERTY OWNERS IN THE DISTRICT AND WHO ARE QUALIFIED ELECTORS IN THE DISTRICT, AND NONE OF WHOM IS AN ELECTIVE OR APPOINTIVE STATE OR COUNTY OFFICIAL. OF THE NINE MEMBERS OF THE BOARD OF DIRECTORS, FOUR OF THE DIRECTORS SHALL BE ELECTED AT-LARGE. THE REMAINING DIRECTORS SHALL BE ELECTED ONE PER EACH SUPERVISORIAL DISTRICT.

C. IF A DISTRICT ACQUIRES OR LEASES A HEALTH SYSTEM ASSET AS DEFINED IN SECTIONS11-1401 (13) AND (14) ARIZONA REVISED STATUTES, FROM A COUNTY, THE BOARD OF SUPERVISORS OF SUCH COUNTY MAY

CONVEY, SELL, LEASE OR OTHERWISE TRANSFER TITLE TO ANY SUCH HEALTH SYSTEM ASSET AND TRANSFER ANY HEALTH SYSTEM LIABILITY, AS DEFINED IN SECTION 11-1401 (15), Arizona Revised Statutes, UPON A MAJORITY VOTE.

D. IF A DISTRICT ACQUIRES OR LEASES A GENERAL HOSPITAL FROM A COUNTY PURSUANT TO THIS CHAPTER:

1. WITHIN THREE MILES OF THE LOCATION OF THE GENERAL HOSPITAL, THE DISTRICT SHALL OPERATE A GENERAL HOSPITAL FOR A PERIOD OF TIME NOT LESS THAN TEN YEARS AFTER THE DATE THE DISTRICT ACQUIRES OR LEASES THE GENERAL HOSPITAL FROM THE COUNTY.

2. THE DISTRICT MAY NOT THEREAFTER CONSTRUCT AN ADDITIONAL GENERAL HOSPITAL OUTSIDE A THREE MILE RADIUS OF THE GENERAL HOSPITAL LEASED OR TRANSFERRED BY THE COUNTY TO THE DISTRICT WITHOUT THE APPROVAL OF THE QUALIFIED ELECTORS PURSUANT TO AN ELECTION CALLED BY BOARD OF DIRECTORS OF THE DISTRICT.

3. THE DISTRICT MAY ACQUIRE OR LEASE A GENERAL HOSPITAL THAT IS SITUATED BEYOND THE THREE MILE RADIUS OF THE GENERAL HOSPITAL LEASED OR TRANSFERRED BY THE COUNTY TO THE DISTRICT, PROVIDED THAT THE DISTRICT CONTINUES TO OPERATE A GENERAL HOSPITAL WITHIN A THREE MILE RADIUS OF THE LOCATION OF THE GENERAL HOSPITAL ACQUIRED OR LEASED FROM THE COUNTY.

4. THE DISTRICT AND THE COUNTY MAY NOT SIMULTANEOUSLY OPERATE A GENERAL HOSPITAL.

E. IN ADDITION TO THE POWERS SET FORTH IN SECTION 48-5541, THE DISTRICT MAY:

1. ADOPT ADMINISTRATIVE RULES, INCLUDING BUT NOT LIMITED TO AN EMPLOYEE MERIT SYSTEM FOR ITS EMPLOYEES.

2. THE DISTRICT MAY EMPLOY OR CONTRACT WITH INDIVIDUALS OR OTHER ENTITIES TO PROVIDE SERVICES IN FURTHERANCE OF THE PURPOSES OF THE DISTRICT.

3. ADOPT AND ADMINISTER COMPETITIVE PROCUREMENT RULES NECESSARY TO ADMINISTER AND OPERATE THE DISTRICT'S PROGRAMS AND ANY PROPERTY.

4. ESTABLISH OR ACQUIRE FOUNDATIONS OR CHARITABLE ORGANIZATIONS TO SOLICIT DONATIONS, FINANCIAL CONTRIBUTIONS, REAL OR PERSONAL PROPERTY OR SERVICES FOR USE SOLELY TO PERFORM THE DUTIES AND OBLIGATIONS IN FURTHERANCE OF THE DISTRICT.

5. DISCLOSE AND MAKE AVAILABLE RECORDS AND OTHER MATTERS IN THE SAME MANNER AS IS REQUIRED OF A PUBLIC BODY PURSUANT TO TITLE 39, CHAPTER 1, EXCEPT THAT THE DISTRICT IS NOT REQUIRED TO DISCLOSE OR MAKE AVAILABLE ANY RECORDS OR OTHER MATTERS THAT:

A. IDENTIFY THE CARE OR TREATMENT OF A PATIENT WHO RECEIVES SERVICES, INCLUDING BILLING INFORMATION, UNLESS THE PATIENT OR THE PATIENT'S REPRESENTATIVE CONSENTS TO THE DISCLOSURE IN WRITING OR UNLESS OTHERWISE PERMITTED PURSUANT TO FEDERAL OR STATE LAW.

B. REVEAL PROPRIETARY INFORMATION PROVIDED TO IT BY A NONGOVERNMENTAL SOURCE. FOR THE PURPOSES OF THIS SUBPARAGRAPH, "NONGOVERNMENTAL" MEANS AN ENTITY OTHER THAN THE UNITED STATES GOVERNMENT OR A PUBLIC BODY AS DEFINED IN SECTION 39-121.01.

C. WOULD CAUSE DEMONSTRABLE AND MATERIAL HARM AND WOULD PLACE THE DISTRICT AT A COMPETITIVE DISADVANTAGE IN THE MARKETPLACE.

D. WOULD VIOLATE ANY EXCEPTION, PRIVILEGE OR CONFIDENTIALITY GRANTED OR IMPOSED BY STATUTE OR COMMON LAW.

48-5542. Purchasing and leasing property and equipment

The board of directors may:

1. Purchase surgical instruments, hospital equipment, urgent care equipment, medical clinic equipment, nursing care equipment, ambulance equipment and other property and supplies necessary for equipping the district's facilities and operations.

2. Purchase real property.

3. Erect or rent and equip buildings or rooms necessary for the district's facilities and operations.

4. Lease the hospital, any urgent care center, any medical clinic or any nursing care center and their respective equipment to any person or corporation to conduct a health care facility on such terms and conditions as the board of directors considers to be beneficial to the district.

48-5543. Lease provisions

A lease of the hospital, an urgent care center, a medical clinic or a nursing care center and their equipment shall:

1. Extend for a term of at least one year but not more than twenty years to be determined by the board of directors.

2. Be executed to a nonprofit corporation organized under title 10, chapters 24 through 40 for the purpose of conducting a hospital, an urgent care center, a medical clinic or a nursing care center, combined hospital, nursing care center and ambulance service or a combined urgent care center and ambulance service.

3. Provide for rent on terms and in an amount that are determined to be reasonable by the board OF DIRECTORS.

48-5544. Cancellation of lease for failure to pay rent; authority to lease again; auction

A. If a lessee of the hospital, urgent care center, medical clinic or nursing care center and their equipment fails to make the payment of rental required by the lease, the board of directors, at its option, may cancel the lease for the failure.

B. If there is no lease or the lease is cancelled and the board of directors is then unable to again lease the hospital, urgent care center, medical clinic or nursing care center and their equipment to a lessee qualified under this article at a rent that is sufficient to provide a fair return to the district, the board of directors shall:

1. At least annually at public auction, offer to lease the hospital, urgent care center, medical clinic or nursing care center and their equipment to the highest responsible and qualified bidder for such term as the board of directors prescribes.

2. Lease the hospital, urgent care center, medical clinic or nursing care center and their equipment to the bidder who bids the highest rental for the prescribed period.

C. Notice of the auction shall be given in a newspaper of general circulation in the district at least once each week for four weeks immediately preceding the auction.

Article 3 - Financial Provisions

48-5561. Deposit of district monies

Special health care district monies from any source shall be deposited with the county treasurer to the credit of the district and shall be paid out only on warrants approved by the district's board of directors.

48-5562. Disposition and use of rental receipts from facilities and equipment

Rental revenues, if any, received from the lease of a hospital, urgent care center, medical clinic or nursing care center and their equipment shall be applied first against expenses of the district, other than for principal and interest on bonds of the district, and secondly to the payment of principal and interest on issued and outstanding bonds.

48-5563. Budget and tax levy

A. On or before July 15 of each year the board of directors shall furnish to the board of supervisors a report of the operation of the district for the past year and a written statement of the amount of money needed to be raised by taxation during the next fiscal year for all operating purposes of the district, including maintaining and operating the district's facilities, payments for professional and other services to the district, debt service and any other purpose required or authorized by this chapter.

B. The board of supervisors shall thereupon levy on the taxable property in the district a secondary tax that, together with other monies on hand or that will accrue during the ensuing fiscal year, exclusive of reserves, will provide sufficient revenues to meet the financial needs of the district as provided in subsection A.

E. The secondary tax shall be computed, entered on the tax rolls and collected in the same manner as other secondary property taxes in the county in which the district is located. Monies collected on behalf of the district shall be remitted promptly to and shall be handled by the county treasurer as other special district monies are handled.

48-5564. Ambulance service; financing

A. A special health care district may maintain and operate an ambulance service or pay the costs of an ambulance service contract if a majority of the qualified electors voting in a regular or special election approve the imposition of the tax necessary to defray the costs of the service.

B. The continued imposition of the tax necessary to defray the costs of the service shall be approved by a majority of the qualified electors voting in a regular or special election at least every five years after the date of the initial imposition.

C. Except for the initial year of imposition and any subsequent year in which the electors vote to approve or disapprove the imposition of the tax to defray the costs of the ambulance service, the cost to be incurred for ambulance services shall be included in the amount of the estimate of the district's needs submitted to the board of supervisors under section 48-5563. Otherwise, it shall be stated separately and included in the levy only if approved by a majority of the qualified electors.

48-5565. Tax levy for operation and maintenance

A. A special health care district shall certify to the county board of supervisors an amount to levy as a secondary property tax on all taxable property in the district for maintaining and operating the district's facilities and for payments for professional and other services to the district.

B. Before the initial imposition of such a tax a majority of the qualified electors voting in a regular or special election must approve the initial imposition. The continued imposition of the tax must be approved by a majority of the qualified electors voting in a

regular or special election at least every TWENTY ~~five~~ years after the date of the initial imposition.

C. The amount of a levy under this section shall not exceed the greater of:

1. Six hundred thousand dollars, adjusted annually from a 1989 base year according to the health services component of the metropolitan Phoenix consumer price index published by the bureau of business and economic research, college of business administration, Arizona state university, or its successor, OR

2.FOR A DISTRICT SUBJECT TO SECTION 48-5541.01, ARIZONA REVISED STATUTES, AN AMOUNT EQUAL TO TEN PERCENT OF THE AVERAGE OF THE FISCAL YEAR EXPENDITURE AMOUNTS RELATED TO THE OPERATION AND MAINTENANCE OF A HEALTH SYSTEM FOR THE THREE FISCAL YEARS IMMEDIATELY PRECEEDING THE YEAR OF THE FORMATION OF THE DISTRICT, OR

3. AN AMOUNT EQUAL TO ten per cent of the district's total expenses for all purposes required or authorized by this chapter and incurred in the fiscal year ending immediately before the levy.

48-5566. Issuing bonds; election

A. On the approval of a majority of the qualified electors, a special health care district may issue bonds to carry out any of the provisions of this article. If the board of directors determines that bonds should be issued, the board of directors shall apply to the board of supervisors, and the board of supervisors shall submit to a vote of the qualified electors residing in the district the question in the manner prescribed by title 35, chapter 3, article 3.

B. If a majority of the qualified electors voting on the issue at an election scheduled pursuant to section 48-5503, subsection B approves the issue, the bonds shall be issued as provided by law.

48-5567. Reserves; tax to replenish reserve

A. Bonds that are issued under this article may contain a provision requiring the establishment of a reserve or reserves in an amount that does not exceed the requirements of principal and interest payments for the two years during the life of the bonds requiring the largest amount of principal and interest payments. The district shall maintain the reserve during the life of the bond issue to protect against any deficiency in tax collections.

B. If it becomes necessary to withdraw monies from the reserve to protect against any deficiency, the board of directors shall certify to the county board of supervisors and the board of supervisors shall levy a tax on all taxable property in the district in an amount that is sufficient to maintain the reserve fund in an amount equal to the original amount deposited in the reserve fund. In making the certification for the payment of principal and interest for the last year when the bonds mature, the board of directors shall take

into consideration the amount of monies then in the reserve fund and shall certify an amount sufficient to pay the principal and interest on the bonds, less the amount then in the reserve fund.

48-5568. Limit of bonded indebtedness

A special health care district shall not incur a bonded indebtedness exceeding ten per cent of the secondary assessed value of all taxable property in the district as shown by the last assessment roll of the county.

48-5569. Investment and reinvestment of sinking fund

A. The board of directors, with the consent of the board of supervisors, may invest and reinvest all money belonging or credited to the district as a sinking fund. The investment shall be made for the best interests of the district.

B. The monies may be invested and reinvested in any of the following:

1. Bonds or other evidences of indebtedness of the United States or any of its agencies or instrumentalities if the obligations are guaranteed as to principal and interest by the United States or by any agency or instrumentality of the United States.

2. Bonds or other evidences of indebtedness of this state or of any county or incorporated city or town or a school district in this state.

3. Bonds, notes or evidences of indebtedness of any county, municipality or municipal district utility in this state that are payable from revenues or earnings specifically pledged for paying the principal and interest on such obligations, and for payment of which a lawful sinking fund or reserve fund has been established and is being maintained, but only if no default in payment of principal or interest on the obligations to be purchased has occurred within five years before the date of investment, or, if such obligations were issued less than five years before the date of investment, no default in payment of principal or interest has occurred on the obligations to be purchased, nor on any other obligations of the issuer within five years before such investment.

4. Bonds, notes or evidences of indebtedness issued by any municipal improvement district in this state to finance local improvements authorized by law, if the principal and interest of such obligations are payable from assessments on real property in the local improvement district. No such investment may be made if the face value of all such obligations, and similar obligations outstanding, exceed fifty per cent of the market value of the real property and improvements on which the bonds or the assessments for the payment of principal and interest are liens inferior only to the liens for general ad valorem property taxes. These investments may be made only if no default in payment of principal or interest on the obligations to be purchased has occurred within five years before the date of investment, or, if such obligations were issued less than five years before the date of investment, no default in payment of principal or interest has occurred on the obligations to be purchased, nor on any other obligation of the issuer within five years before such investment.

5. Interest bearing savings accounts or certificates of deposit insured in banks doing business in this state by the federal deposit insurance corporation, but only if they are secured by the depository to the same extent and in the same manner as required by the general depository law of this state. Security shall not be required for that portion of any deposit that is insured under any law of the United States.

C. The purchase of the securities shall be made by the county treasurer on authority of a resolution by the board of directors that is approved by the board of supervisors. The county treasurer shall be the custodian of all securities so purchased. The securities may be sold on an order of the board of directors with the consent of the board of supervisors.

D. All monies earned as interest or otherwise derived by virtue of this section shall be credited to the sinking fund.

48-5570. Capital outlay fund

A. The board of directors may establish a fund for capital outlays. After a capital outlay fund is established, the board of directors may transfer to the fund any unencumbered surplus monies remaining on hand in the district at the end of a fiscal year.

B. If a capital outlay fund is established, it shall be used only for capital outlay purposes, but if the board OF DIRECTORS finds that the fund is no longer necessary or that monies remain in the fund that are no longer required for capital outlay purposes, the board OF DIRECTORS, by a four-fifths vote of all members, may discontinue the fund or transfer as much of it as is no longer required for capital outlay purposes to the payment of outstanding bonds, or if there are none, to any fund for payment of current expenses of the district.

Proposed Session Law
Section _____

A. A district created pursuant to title 48, chapter 31, which operates a hospital which has been leased or transferred from a county shall, as part of its mission, provide medical education programs and services to the community, including the underserved populations to the extent of taxes available pursuant to Section 48-5565, Arizona Revised Statutes, provided that nothing in this law creates a legal entitlement to services or reimbursement for services for any person or third party.

B. If the qualified electors do not approve the formation of a special health district as provided in title 48, chapter 31, then notwithstanding 2001 Arizona Session Laws, Chapter 344, section 111 and 112, the county in which the election is held may close any hospital that the county maintains.

EXCERPT OF THE DECEMBER 18, 2002 AGENDA ADDENDUM

BOARD OF SUPERVISORS
of
MARICOPA COUNTY, ARIZONA

Formal Meeting Agenda

Wednesday, December 18, 2002
9:00 a.m.

Supervisors' Auditorium
205 West Jefferson
Phoenix, Arizona

A D D E N D U M

BOARD OF SUPERVISORS

ACTION:

A-1. **ELECTED OFFICIALS, County Attorney –** *Authorize* ***settlement of Davis v. Coughanour, et ux., v. Maricopa County, et al., CV 2001-006089 for $200,000.*** (C1903030M)

A-2. **ELECTED OFFICIALS, Sheriff –** *Approve a* ***waiver to the Maricopa County Compensation Plan, Section VII.A to allow a retroactive salary advancement for Sheriff's Detention Officer Anissa Dreas of $.67 per hour from April 29, 2002, ($13.08 to $13.75.). The retroactive pay, including benefits, will come from budgeted funds and will not exceed $1,000.*** (C5003047M)

A-3. **DEPUTY COUNTY ADMINISTRATOR, Office of Management and Budget -** *Approve the* ***creation of a Citizens' Task Force on the County Health Care System to review and make recommendations to the Board of Supervisors on the following within 60 days:***

1) ***The scope of services that can be provided by the system, given the limited resources that will be available to it;***
2) ***The governance of the health care system;***
3) ***Possible integration of the public health system;***
4) ***The long-term funding of the health care system's operations and capital; and***
5) ***Any other recommendations regarding the County Health Care System.***

The Task Force is an advisory committee to the Board of Supervisors and is subject to Arizona's open meeting law. Each appointee will serve at the pleasure of the appointing authority, and have the term of a period of one year from date of appointment, however, they may be reappointed for additional terms. The Task Force will consist of ten members, as follows:

1) ***One voting member appointed by the current Chairman of the Board of Supervisors, to serve as Chairman of the Citizens' Task Force***
2) ***Five voting members, one each appointed by each member of the Board of Supervisors who are neither members of the Hospital and Health Systems Board or the Board of Health nor employees of the County***
3) ***Two voting members appointed by the Board of Supervisors from the Maricopa County Hospital and Health Systems Board***
4) ***One voting member appointed by the Board of Supervisors from the Maricopa County Board of Health***
5) ***One non-voting member appointed by the Board of Supervisors representing the Medical Professional Associates of Arizona.***

Also, direct each Supervisor to submit their appointment to the Citizens' Task Force by Friday, December 20, 2002, to the Clerk of the Board of Supervisors. (C49030226)

EXCERPT OF THE DECEMBER 18, 2002 MINUTES

MARICOPA COUNTY BOARD OF SUPERVISORS MINUTE BOOK

FORMAL SESSION
December 18, 2002

CITIZENS' TASK FORCE ON COUNTY HEALTH CARE SYSTEM

Item: Approve the creation of a Citizens' Task Force on the County Health Care System to review and make recommendations to the Board of Supervisors on the following within 60 days: (ADM2112)

1) The scope of services that can be provided by the system, given the limited resources that will be available to it;
2) The governance of the health care system;
3) Possible integration of the public health system;
4) The long-term funding of the health care system's operations and capital; and
5) Any other recommendations regarding the County Health Care System.

The Task Force is an advisory committee to the Board of Supervisors and is subject to Arizona's open meeting law. Each appointee will serve at the pleasure of the appointing authority, and have the term of a period of one year from date of appointment, however, they may be reappointed for additional terms. The Task Force will consist of ten members, as follows:

1) One voting member appointed by the current Chairman of the Board of Supervisors, to serve as Chairman of the Citizens' Task Force
2) Five voting members, one each appointed by each member of the Board of Supervisors who are neither members of the Hospital and Health Systems Board or the Board of Health nor employees of the County
3) Two voting members appointed by the Board of Supervisors from the Maricopa County Hospital and Health Systems Board
4) One voting member appointed by the Board of Supervisors from the Maricopa County Board of Health
5) One non-voting member appointed by the Board of Supervisors representing the Medical Professional Associates of Arizona.

Also, direct each Supervisor to submit their appointment to the Citizens' Task Force by Friday, December 20, 2002, to the Clerk of the Board of Supervisors. (C49030226)

Supervisor Wilcox said that staffing this Task Force will be extremely important and that due to some perceived conflicts, MedPro; Mark Hillard, MIHS Director; Dr. Weisbuch, Public Health Director; and Tom Manos, Chief Financial Officer, are not designated voting members. She said she hoped that, even as non-voting members, they will be official participants and will attend the meetings. She asked that the Hospital Board's Strategic Planning Committee be notified and be active participants in this process in addition to other Board members not designated to the Task Force.

Chairman Stapley explained that members that are not voting members may attend as staff members to support the process and make sure any information is available, as needed. He said that MedPro is a member of the Task Force in the non-voting capacity, since they are employed by the County.

Motion was made by Supervisor Kunasek, seconded by Supervisor Brock, and unanimously carried (5-0) to approve the creation of a Citizens' Task Force on the County Health Care System.

Citizen' Task Force on the County Health Care System

The purpose of the Citizens' Task Force is to review and make recommendations to the Board of Supervisors on the following:

1. Updated Mission of the County health care system

2. Scope of services to be provided by the system

3. Governance of the health care system

4. Long-term funding of the health care system's operations and capital

The Task Force will consist of eleven members, as follows:

- Five voting members, one each appointed by the members of the Board of Supervisors.

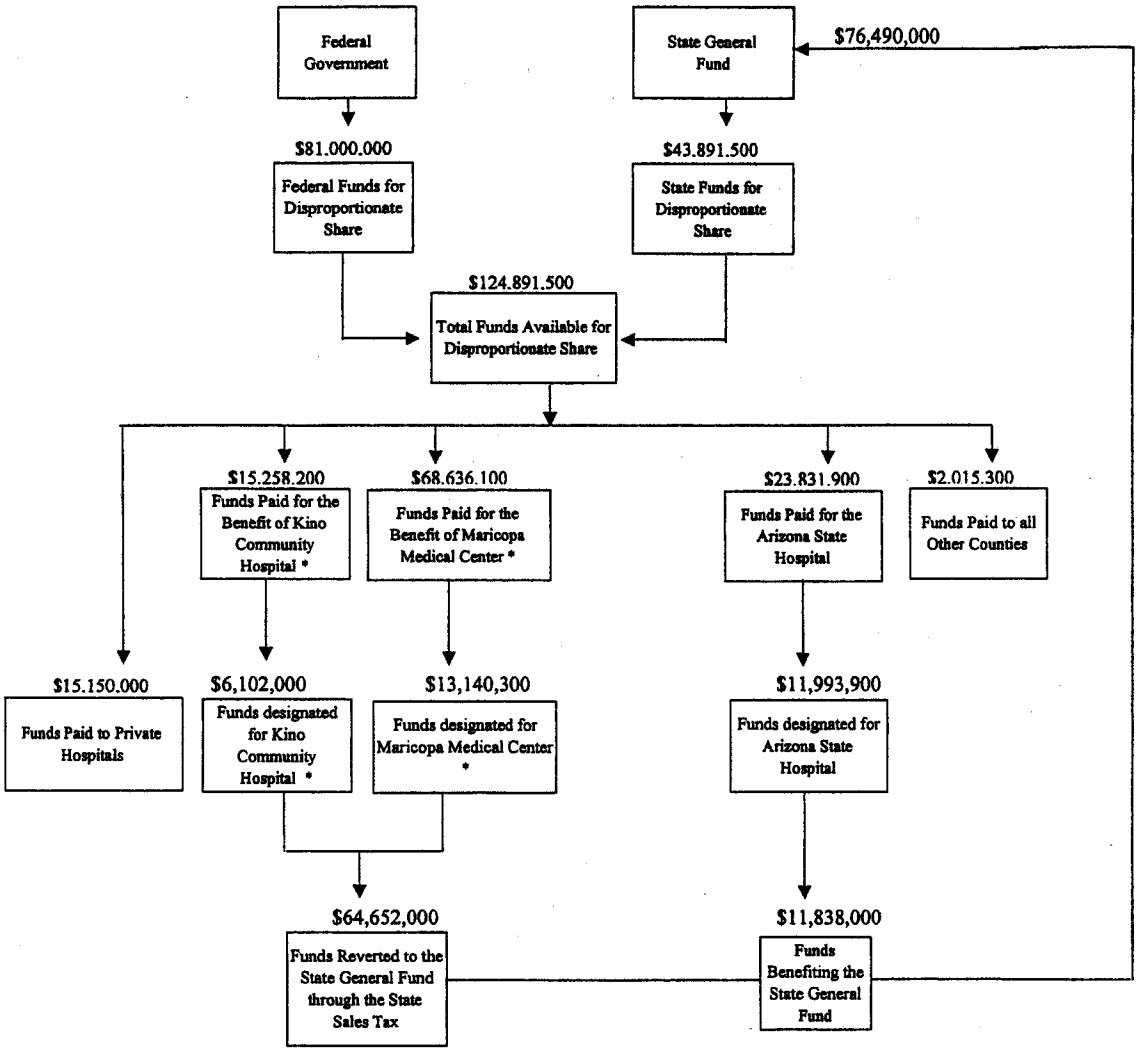
- Two voting members appointed by the Maricopa County Hospital and Health Systems Board.

- Two voting members appointed by the Maricopa County Board of Health.

- One non-voting member representing the Medical Professional Associates of Arizona.

The Citizens' Task Force will be staffed by the County Administrative Officer, assisted by the Office of Management and Budget and the Maricopa Integrated Health System.

Flow of 2000 Medicaid Disproportionate Share Funds



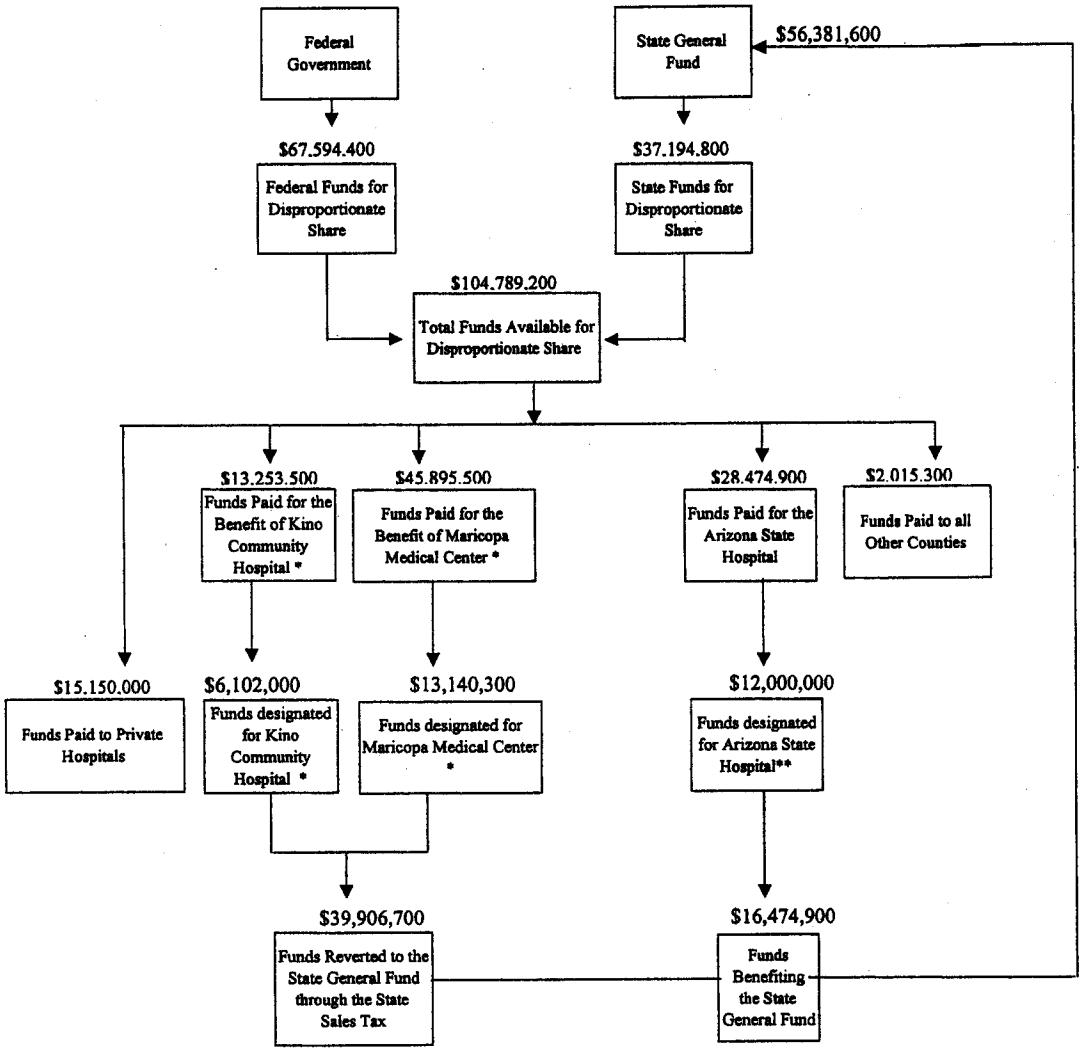
* Kino Community and Maricopa Medical Center are county operated facilities. The funds paid to the counties for the hospital through disproportionate share are used by the counties to offset the subsidies paid by the counties to the hospitals. This money may or may not flow through to the hospital for the disproportionate number of uncompensated care cases they have.

** The Arizona State Hospital (ASH) is funded by the State of Arizona general fund. All funding from the disproportionate share program has a direct impact on the general fund.

In Summary -- The $81,000,000 in DSH payments from the Federal Government flows as follows:

Net Gain to General Fund	$ 32,598,500
Private Hospitals	15,150,000
Maricopa Medical Center	13,140,300
Arizona State Hospital	11,993,900
Kino Community Hospital	6,102,000
Other Counties	2,015,300
	$ 81,000,000

Flow of 2001 Medicaid Disproportionate Share Funds



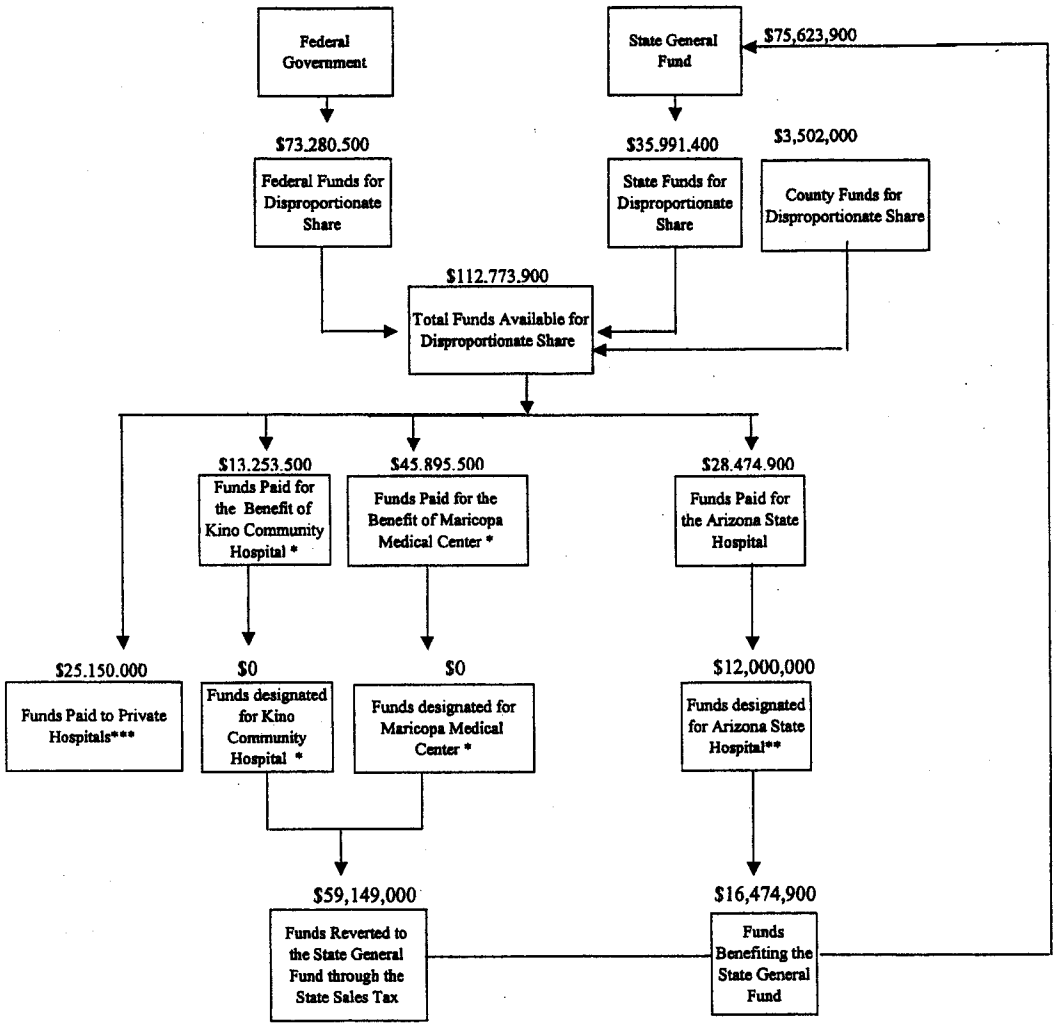
* Kino Community and Maricopa Medical Center are county operated facilities. The funds paid to the counties for the hospital through disproportionate share are used by the counties to offset the subsidies paid by the counties to the hospitals. This money may or may not flow through to the hospital for the disproportionate number of uncompensated care cases they have

** The Arizona State Hospital (ASH) is technically funded by the State of Arizona general fund.

In Summary -- The $67,594,400 in DSH payments from the Federal Government flows as follows:

Net Gain to General Fund	$ 19,186,400
Private Hospitals	15,150,000
Maricopa Medical Center	13,140,300
Arizona State Hospital	12,000,000
Kino Community Hospital	6,102,000
Other Counties	2,015,300
	$ 67,594,000

Flow of 2002 Medicaid Disproportionate Share Funds
Preliminary as of 2/21/02



* Kino Community and Maricopa Medical Center are county operated facilities. The funds paid to the counties for the hospital through disproportionate share are used by the counties to offset the subsidies paid by the counties to the hospitals. This money may or may not flow through to the hospital for the disproportionate number of uncompensated care cases they have.

** The Arizona State Hospital (ASH) is technically funded by the State of Arizona general fund.

*** This includes the DUC pool of $10,000,000.

In Summary -- The $73,623,900 in DSH payments from the Federal Government and $3,502,000 from the counties flows as follows:

Net Gain to General Fund	$ 39,975,900	
Private Hospitals	25,150,000	Includes DUC pool money of $10,000,000
Maricopa Medical Center	-	
Arizona State Hospital	12,000,000	
Kino Community Hospital	-	
Other Counties	-	
	$ 77,125,900	

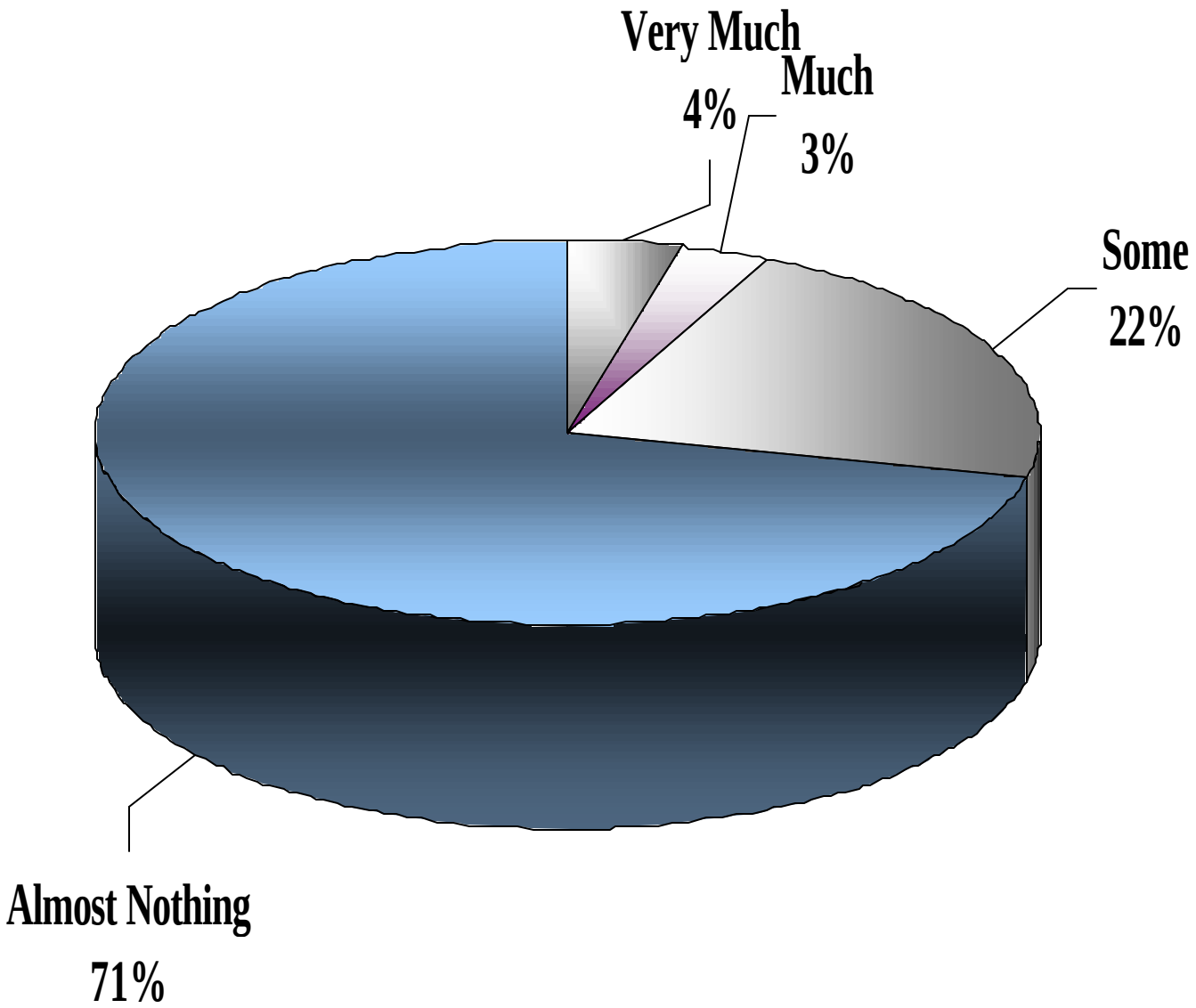
Maricopa County

M.I.H.S. Awareness & Support Survey

General Population June 2002

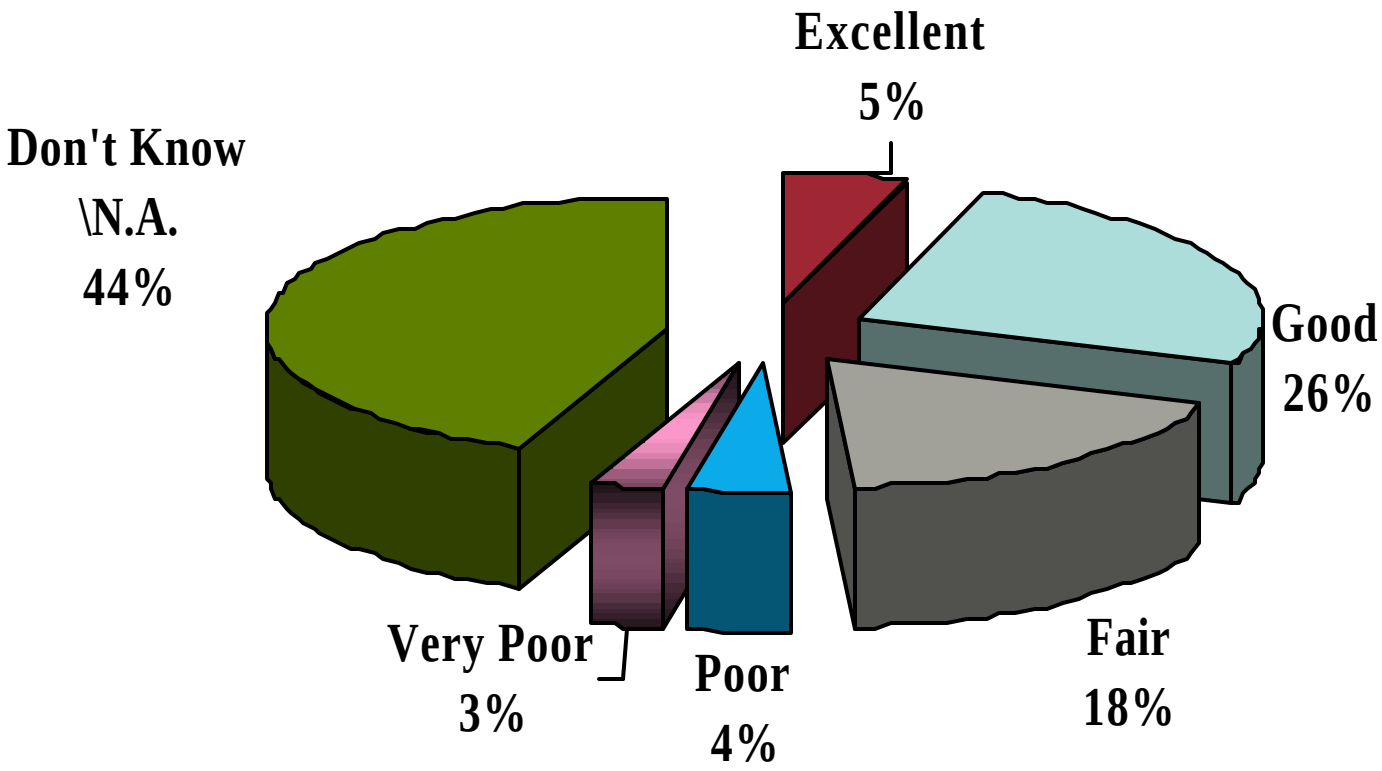
Conducted by Maricopa County Office of Research & Reporting

Knowledge of Maricopa County's Role in the Provision of Health Care



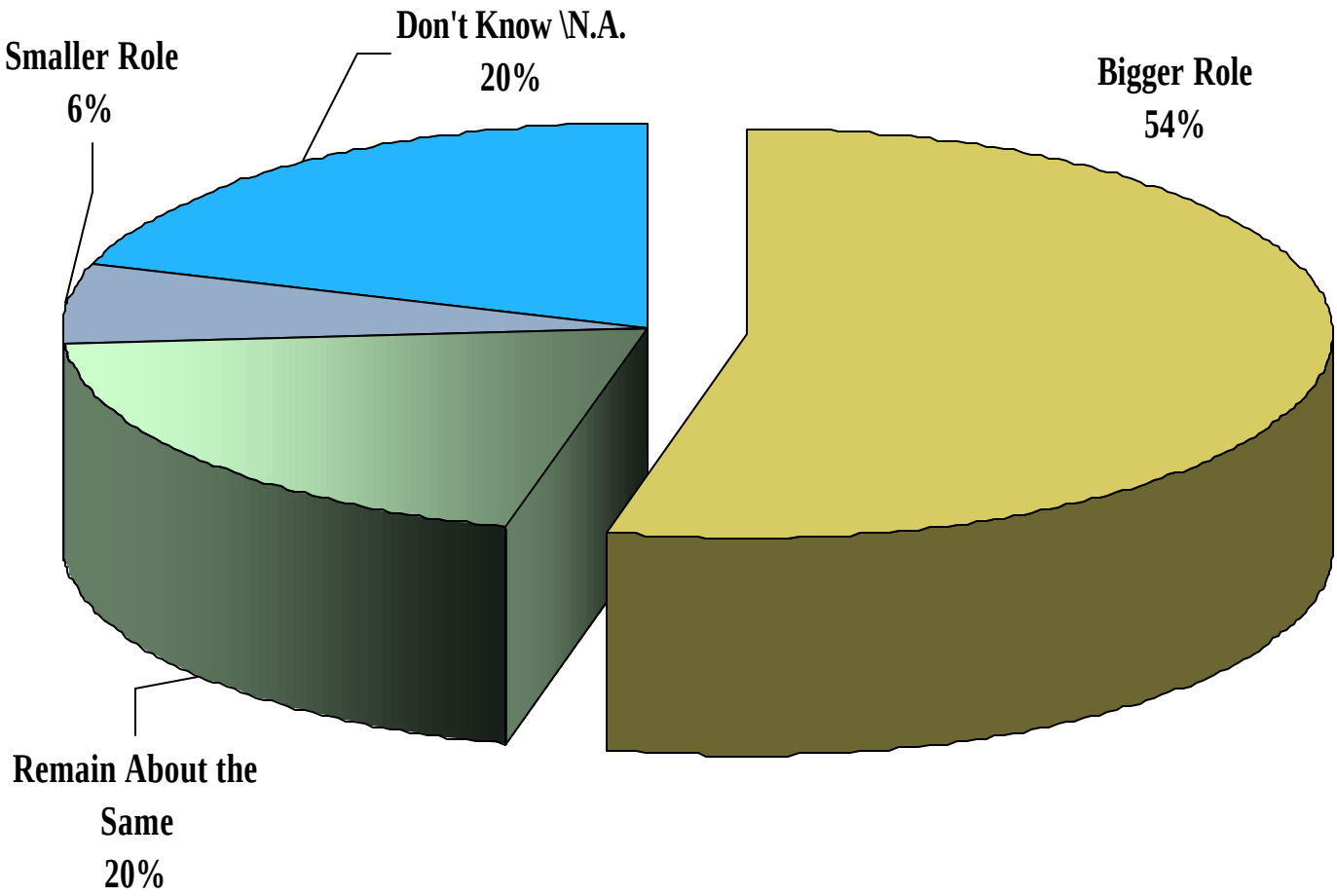
How much would you say you know about Maricopa County government's role in regard to the provision of health care services through its hospital and clinics?

Rating of Maricopa County Relative to Health Care



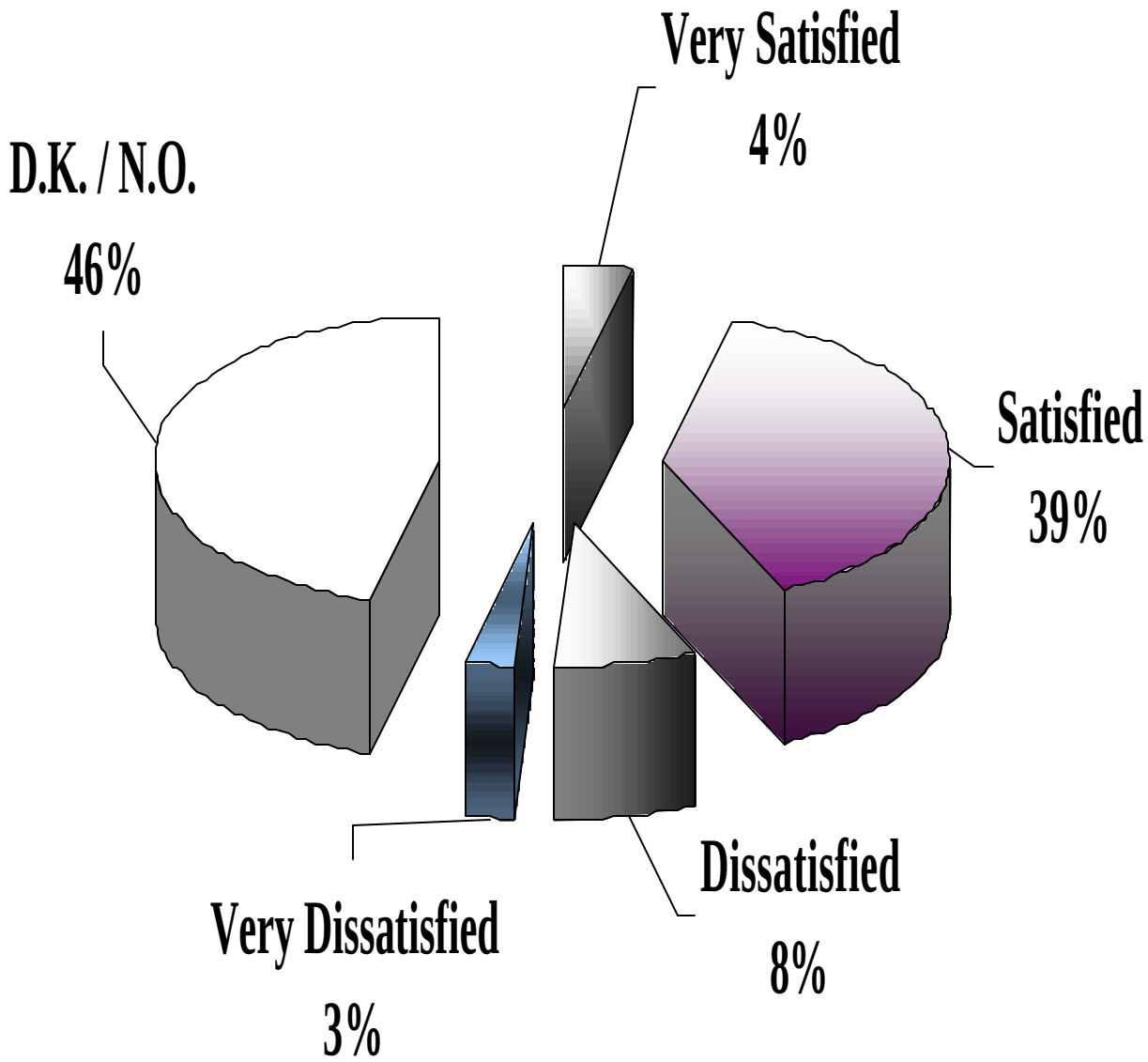
Maricopa County Government is responsible for the Maricopa Medical Center (often referred to as the county hospital), the Arizona Burn Center, the Comprehensive Healthcare Center, the McDowell Clinic, and 12 community-based clinics called Family Health Centers. In general, how would you rate the job that Maricopa County is doing relating to health care?

Desired Role Of Maricopa County In The Provision of Health Care



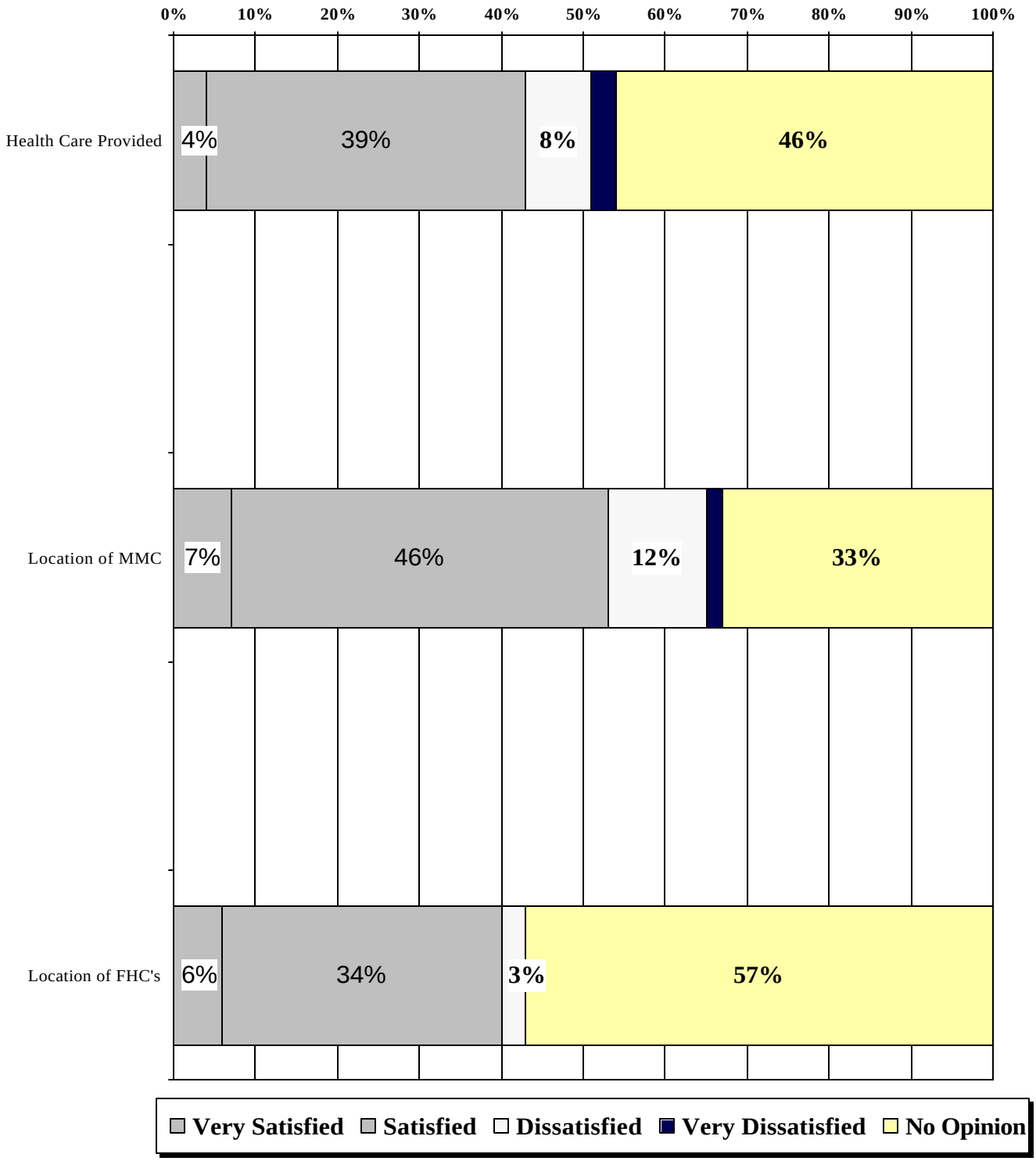
Do you think the county should take a bigger role, remain about the same, or take a smaller role in the provision of health care?

General Satisfaction With Maricopa County Health Care



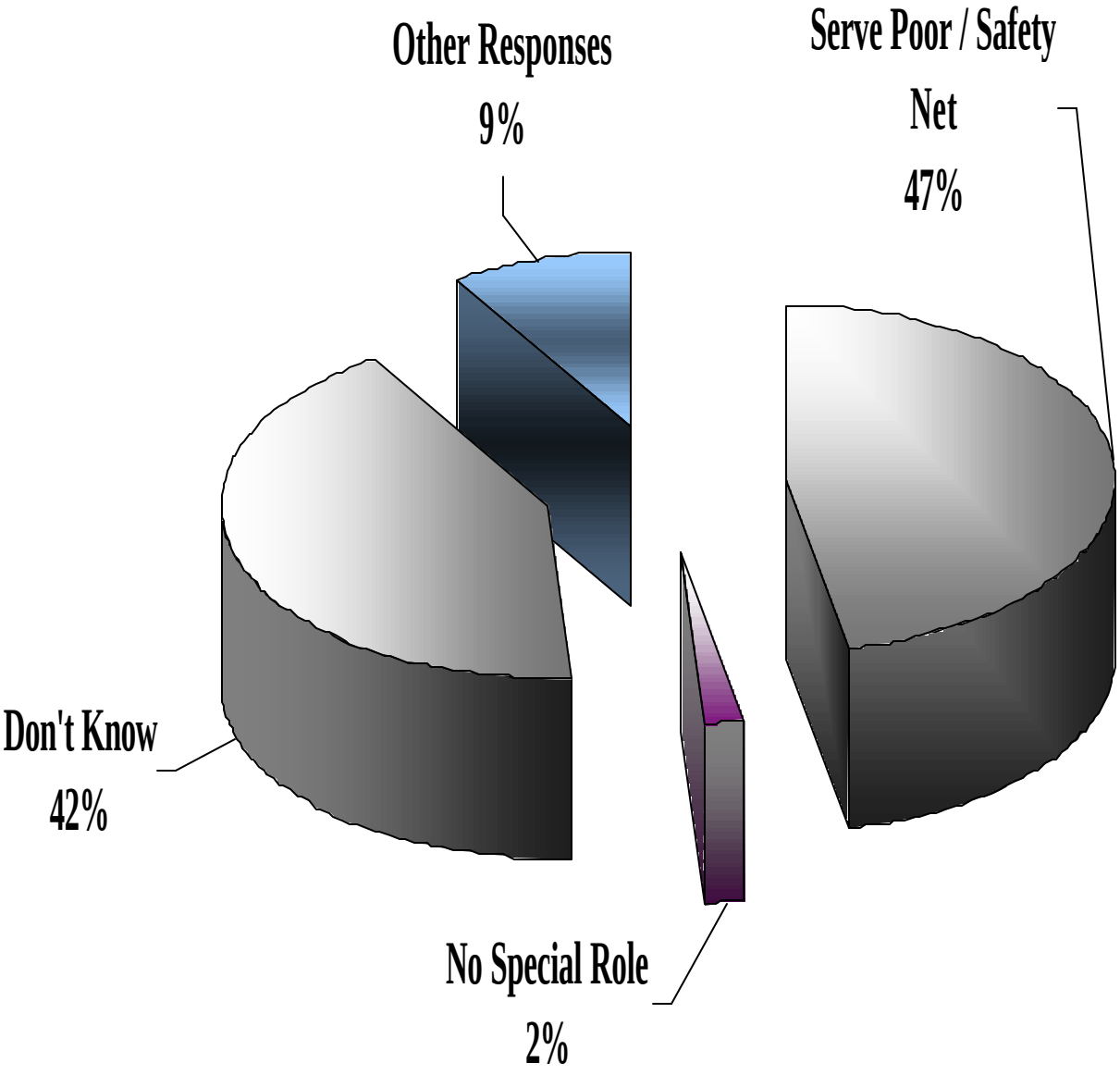
In general would you say you are very satisfied, satisfied, dissatisfied, or very dissatisfied with the health care provided by the Maricopa Medical Center (the County Hospital) and its clinics (Family Health Centers)?

Levels of Satisfaction With MIHS



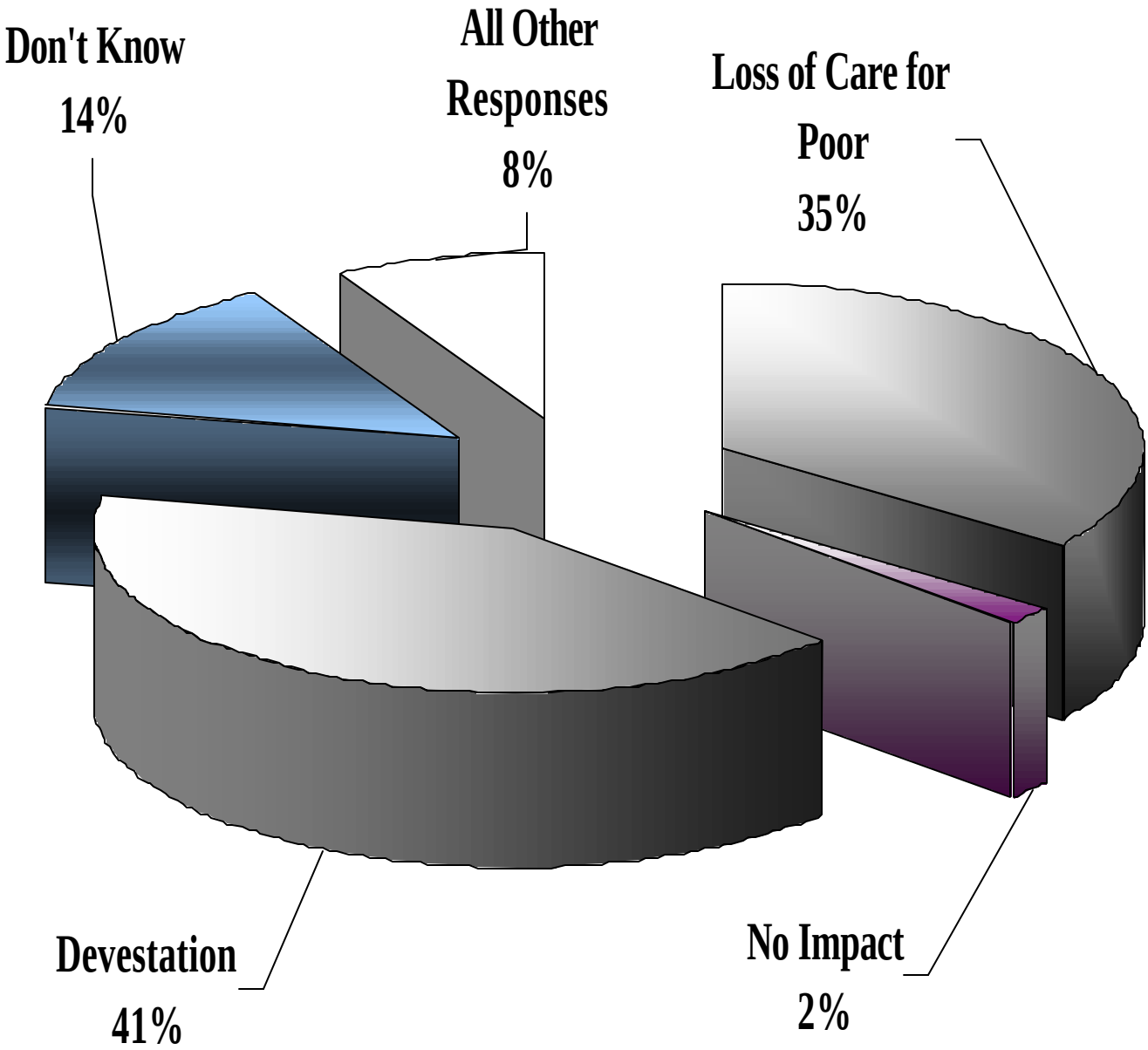
Conducted by Maricopa County Rsearch and Reporting

Major Function or Role of the County Health System



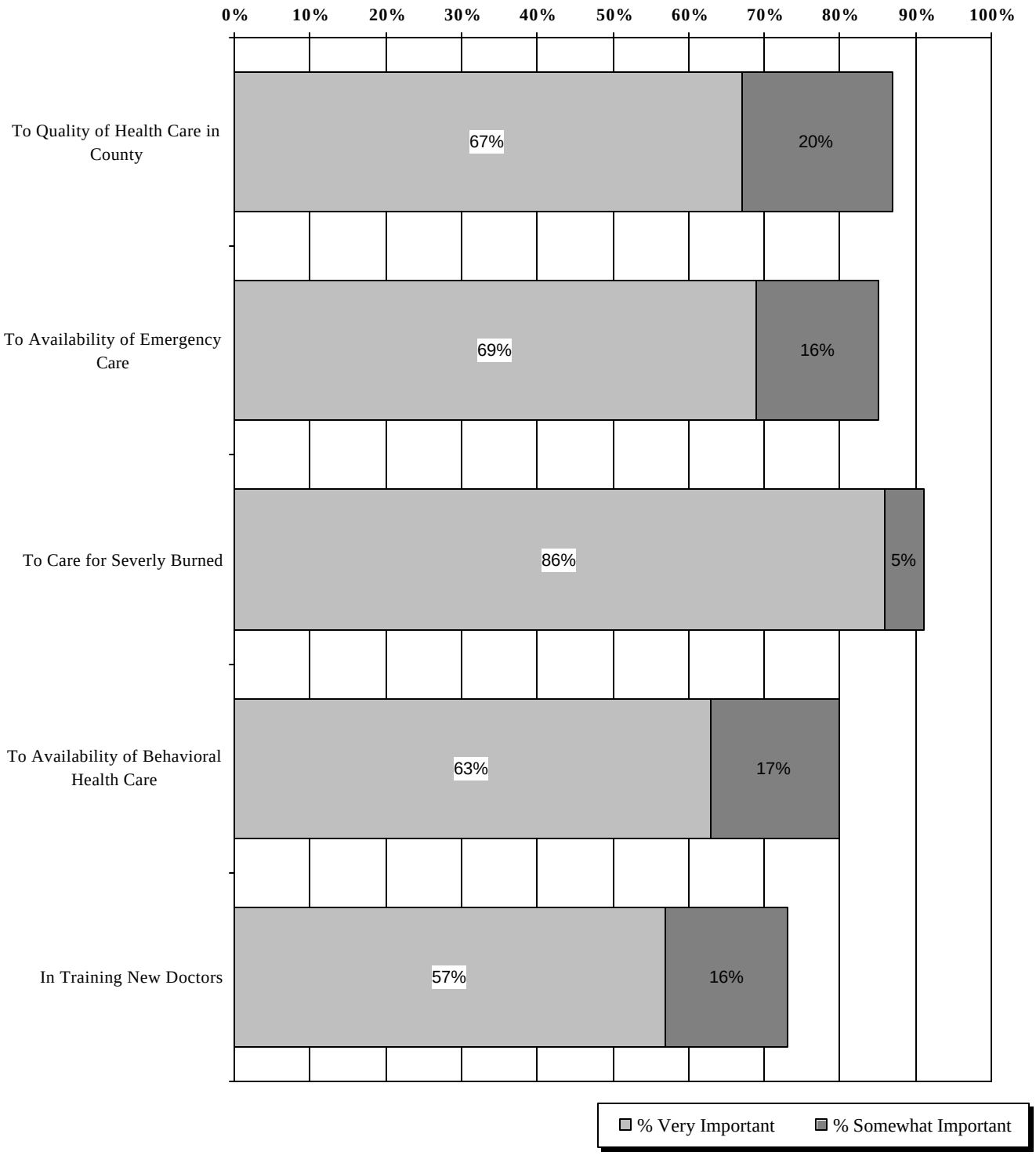
What would you say the major function or role of the county health care system is, compared to other non-governmental health care systems? *(Interviewer: Record verbatim response, do NOT give examples.)*

Impact of M.M.C. and F.H.C.s Not Being Available



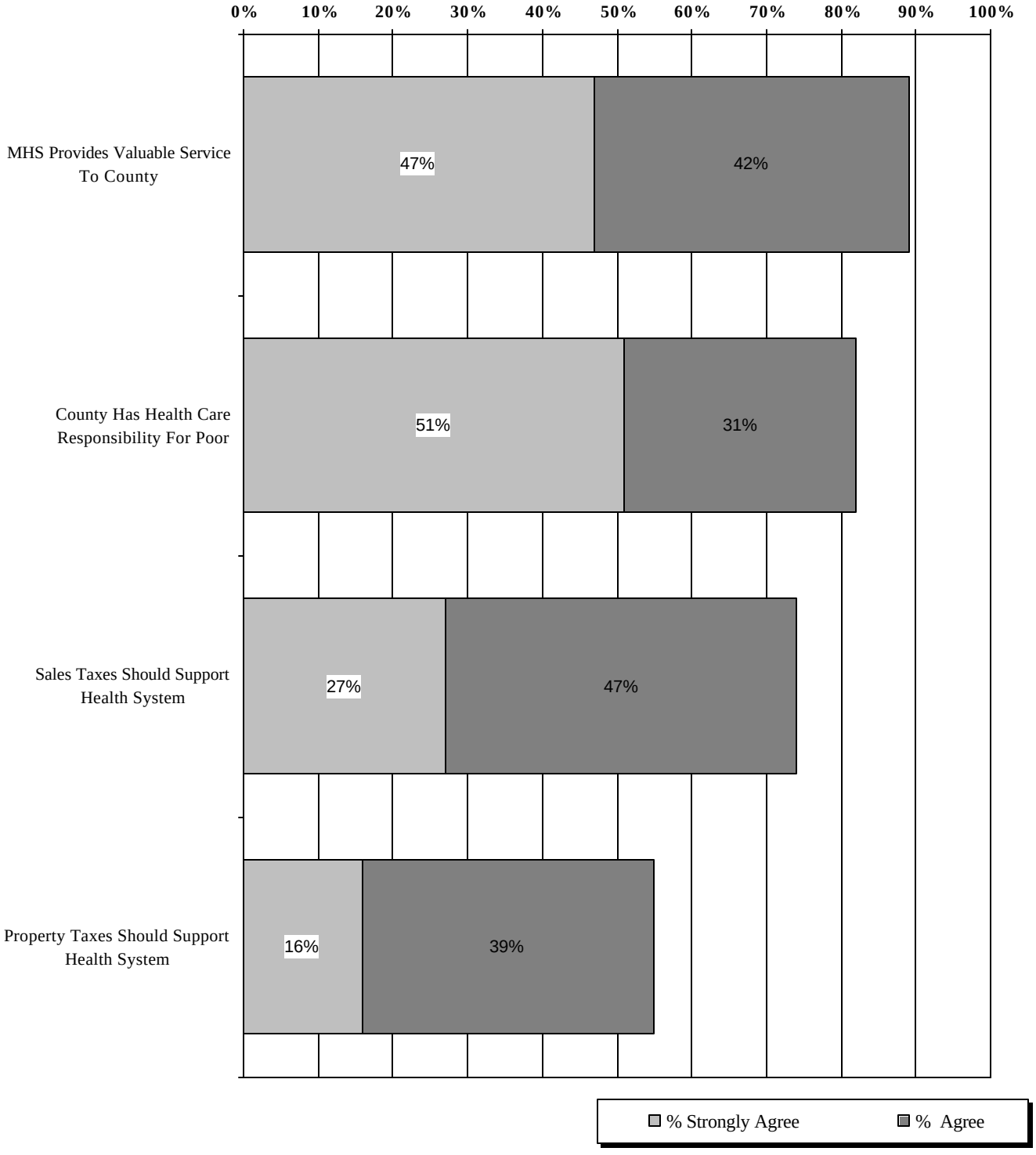
What do you think the impact on the community would be if the services of the Maricopa Medical Center and its other health care centers were no longer available? ***(Interviewer: Record verbatim response, do NOT give examples.)***

Perception of the Importance of M.I.H.S



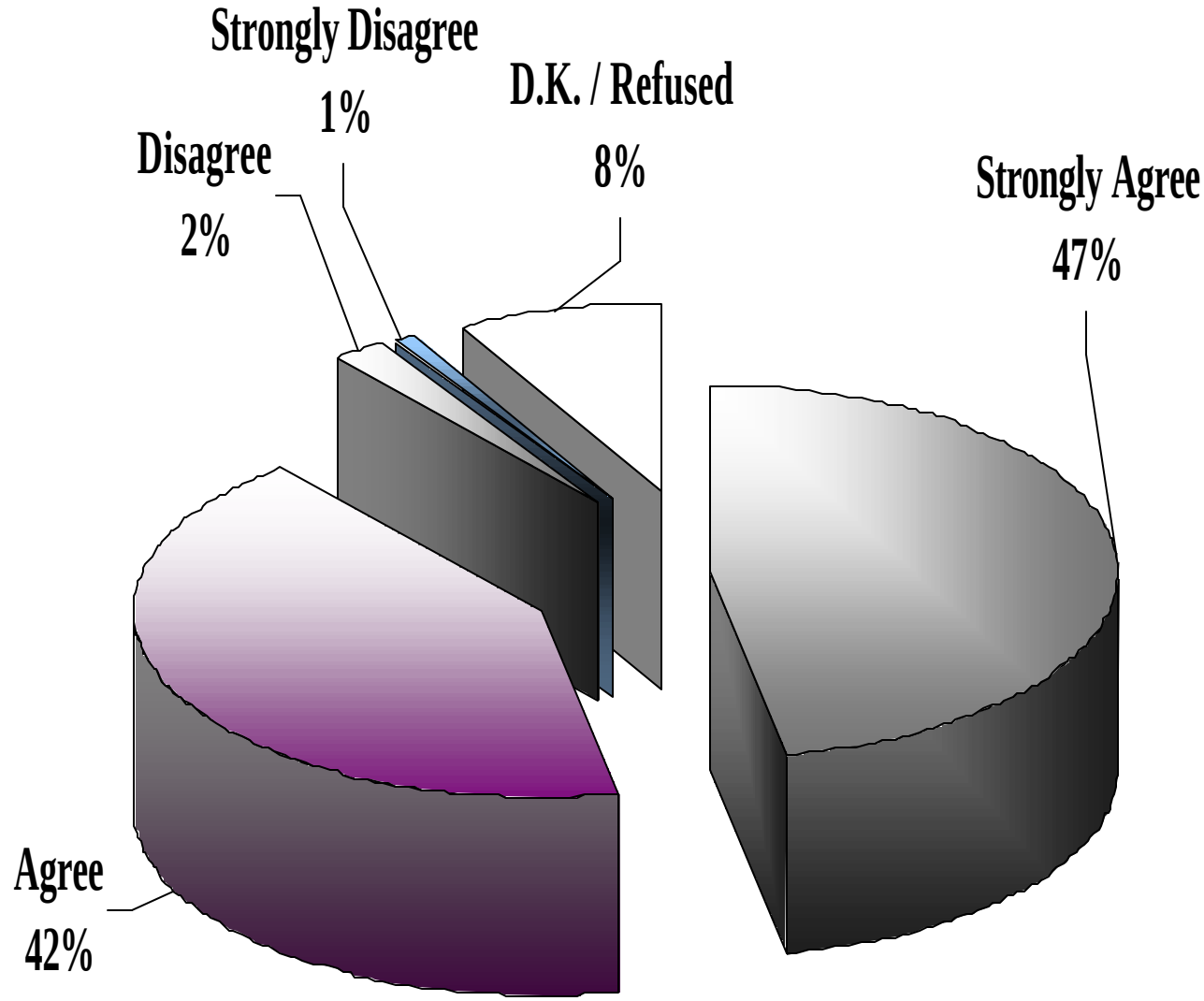
Conducted by Maricopa County Research and Reporting

Agreement with Statements Related to Value, Responsibility And Support for Use of Tax Revenue



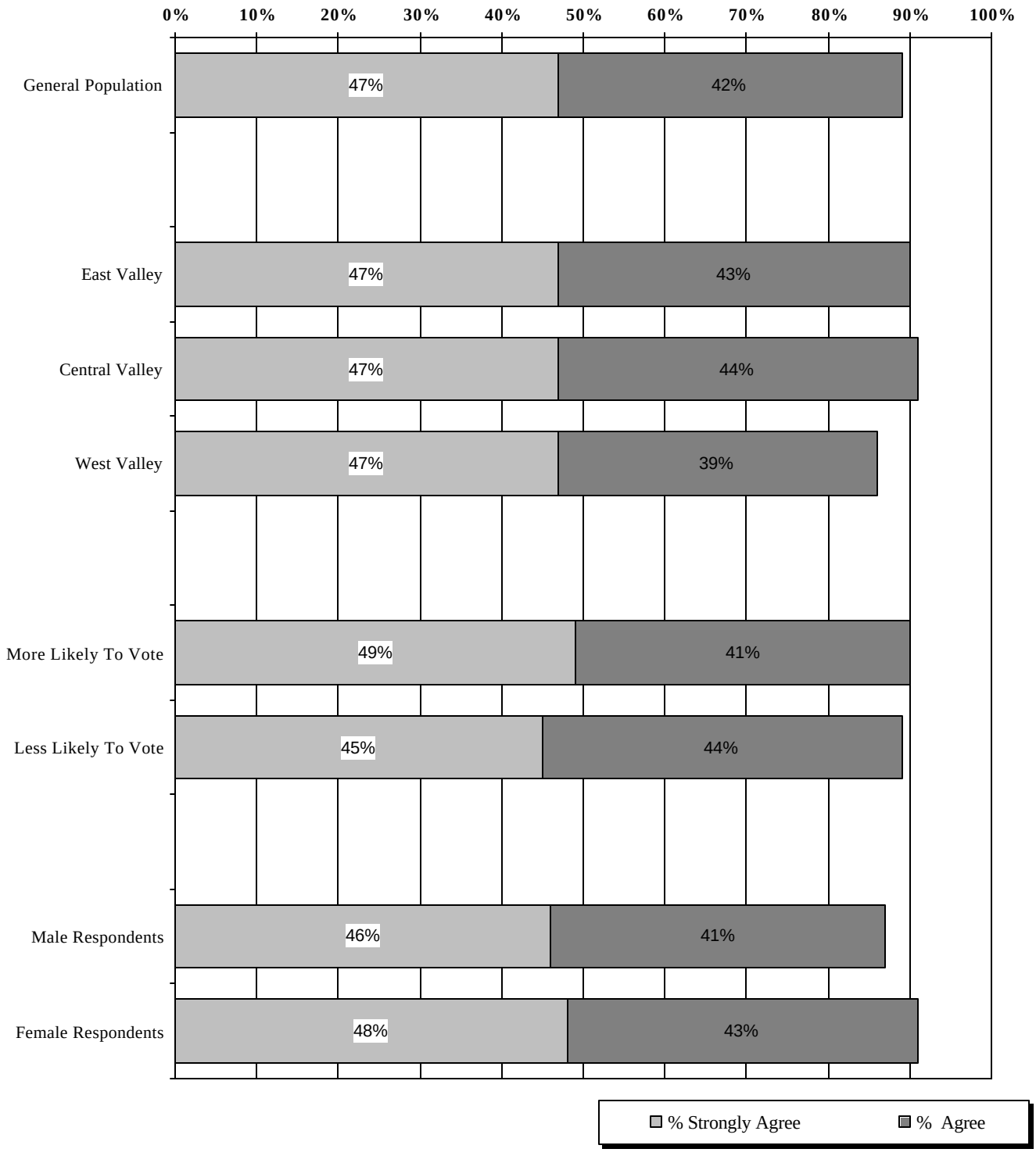
Conducted by Maricopa County Research and Reporting

Maricopa County Health System Provides Valuable Service



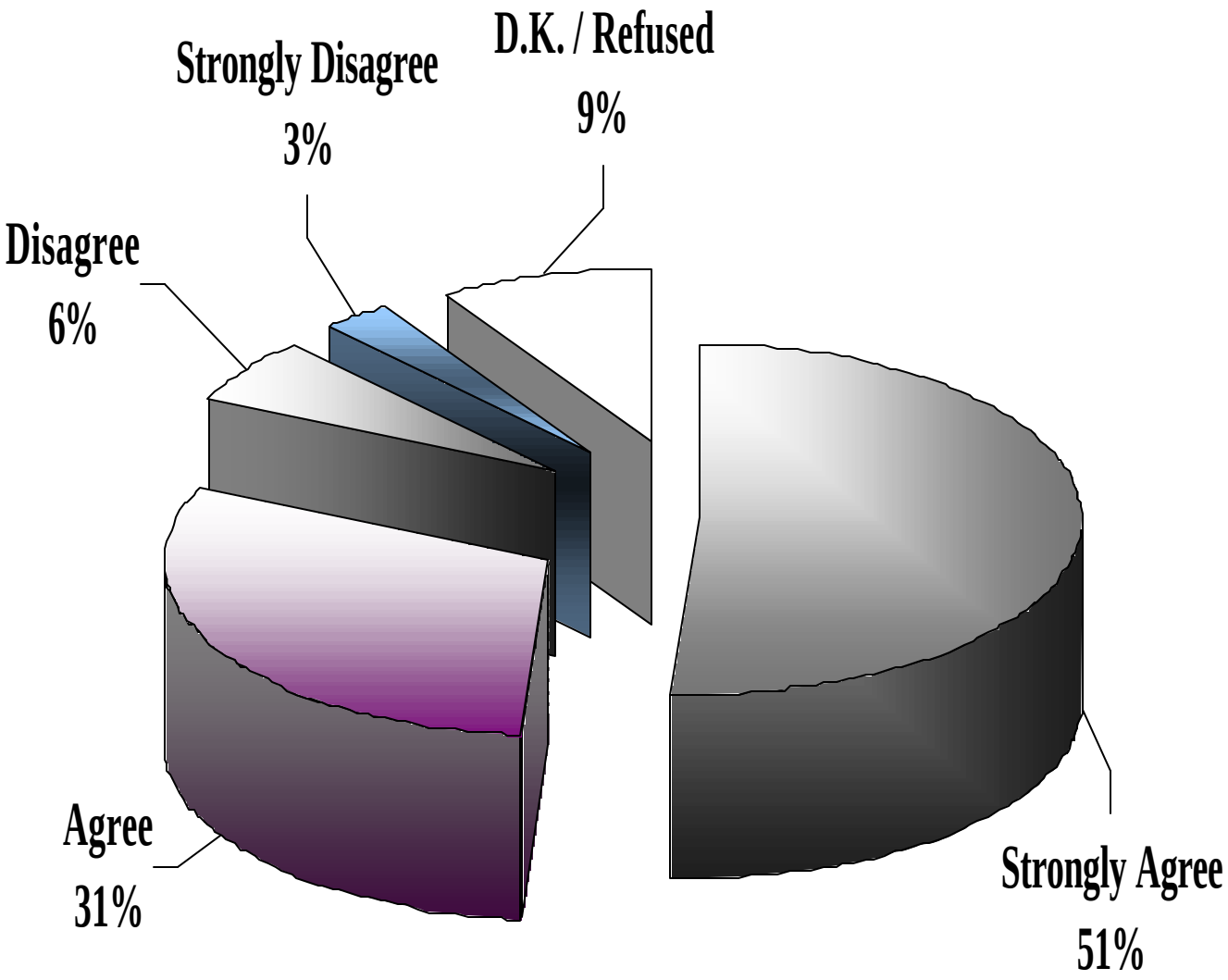
Would you say you strongly agree, agree, disagree or strongly disagree that the county health system provides a valuable service to the County?

Percent In Agreement That County Health System Provides Valuable Service



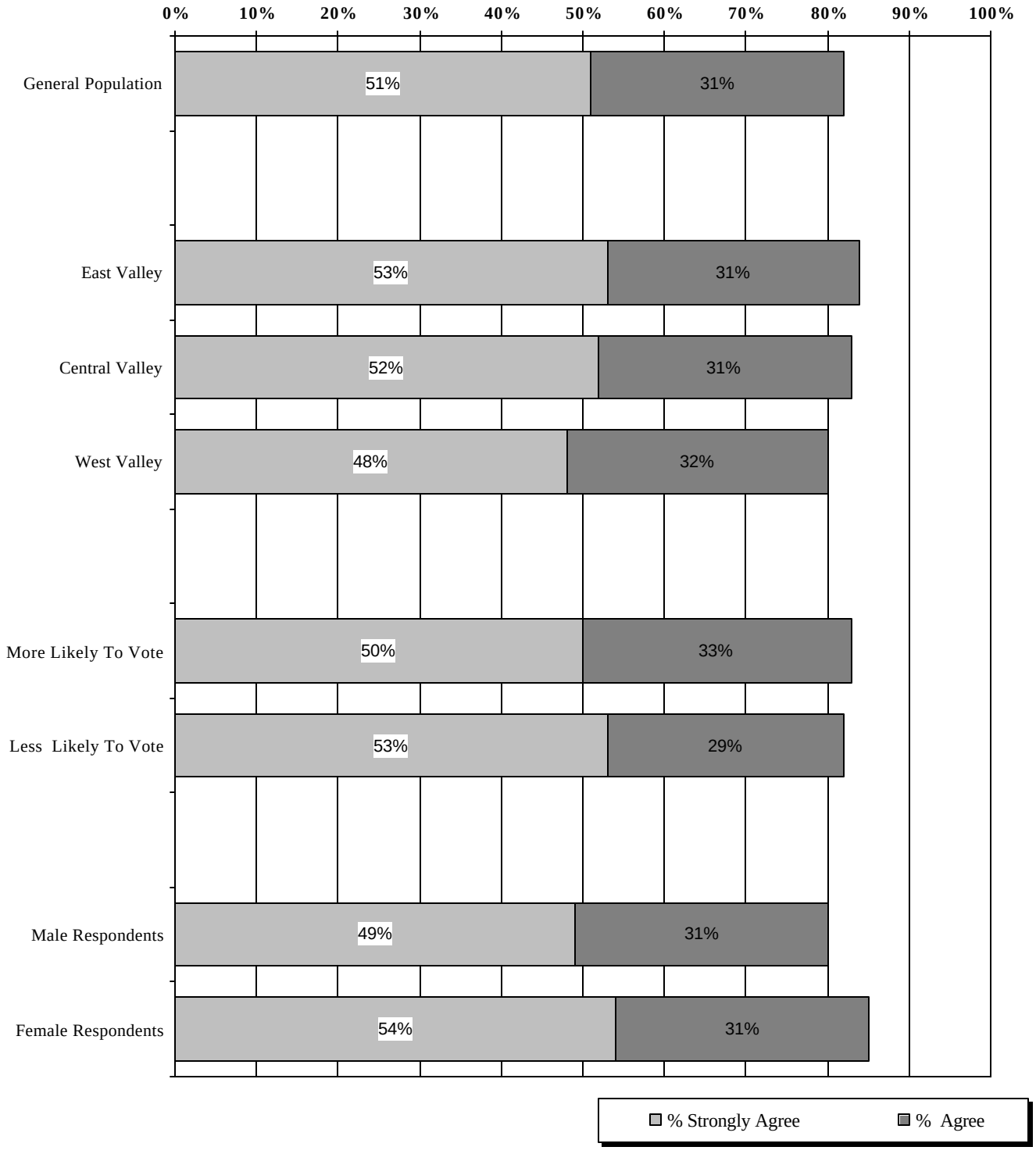
Conducted by Maricopa County Research and Reporting

Maricopa County Government Has Responsibility to Provide Health Care to Those Who Can't Afford



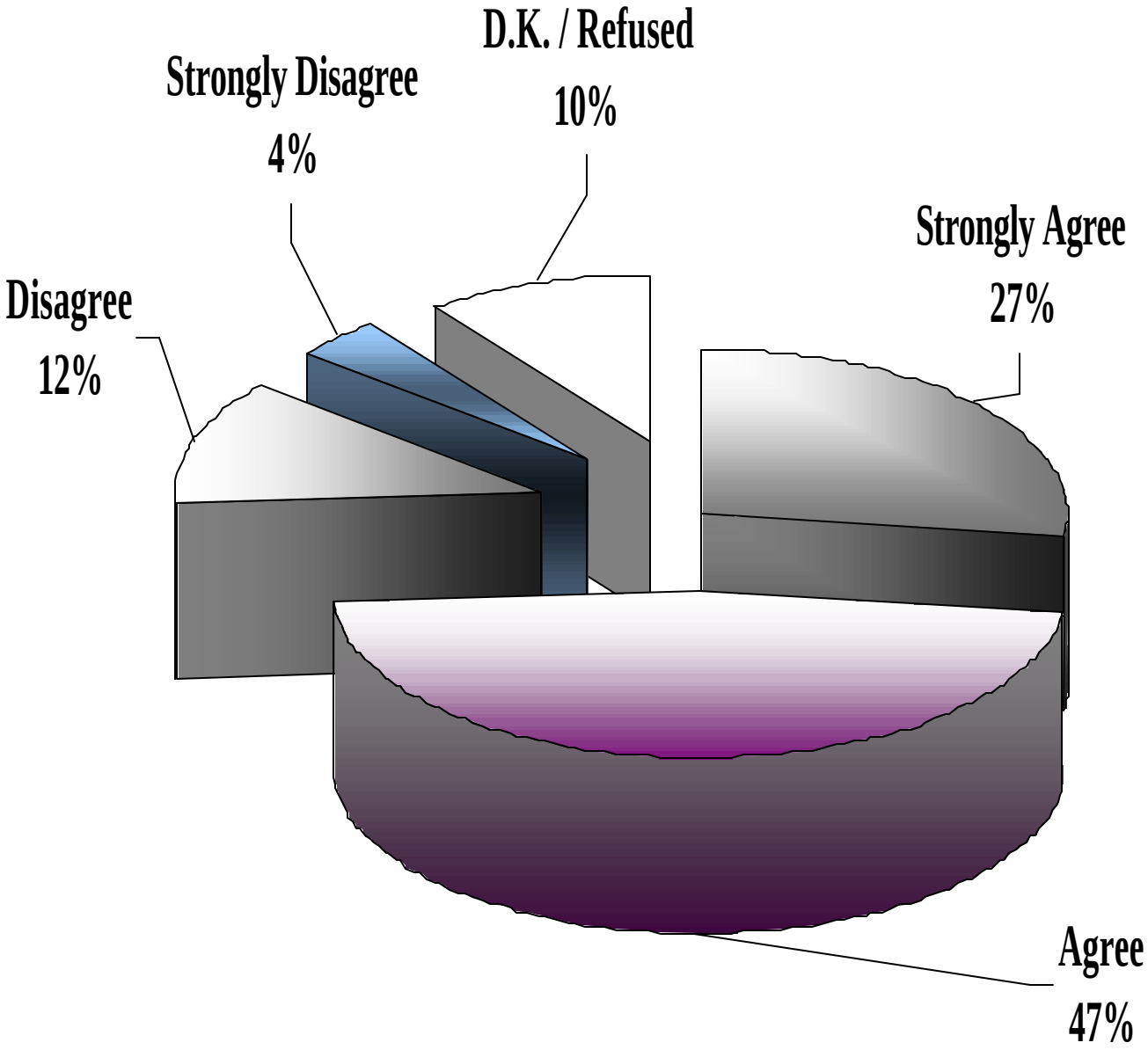
How much do you agree or disagree that Maricopa County government has a responsibility to provide health care to those residents who cannot afford it but are NOT eligible for care through A.H.C.C.C.S. (the Arizona Health Care Cost Containment System)?

Percent In Agreement That County Government Has Responsibility For Health Care For Those Who Can't Afford



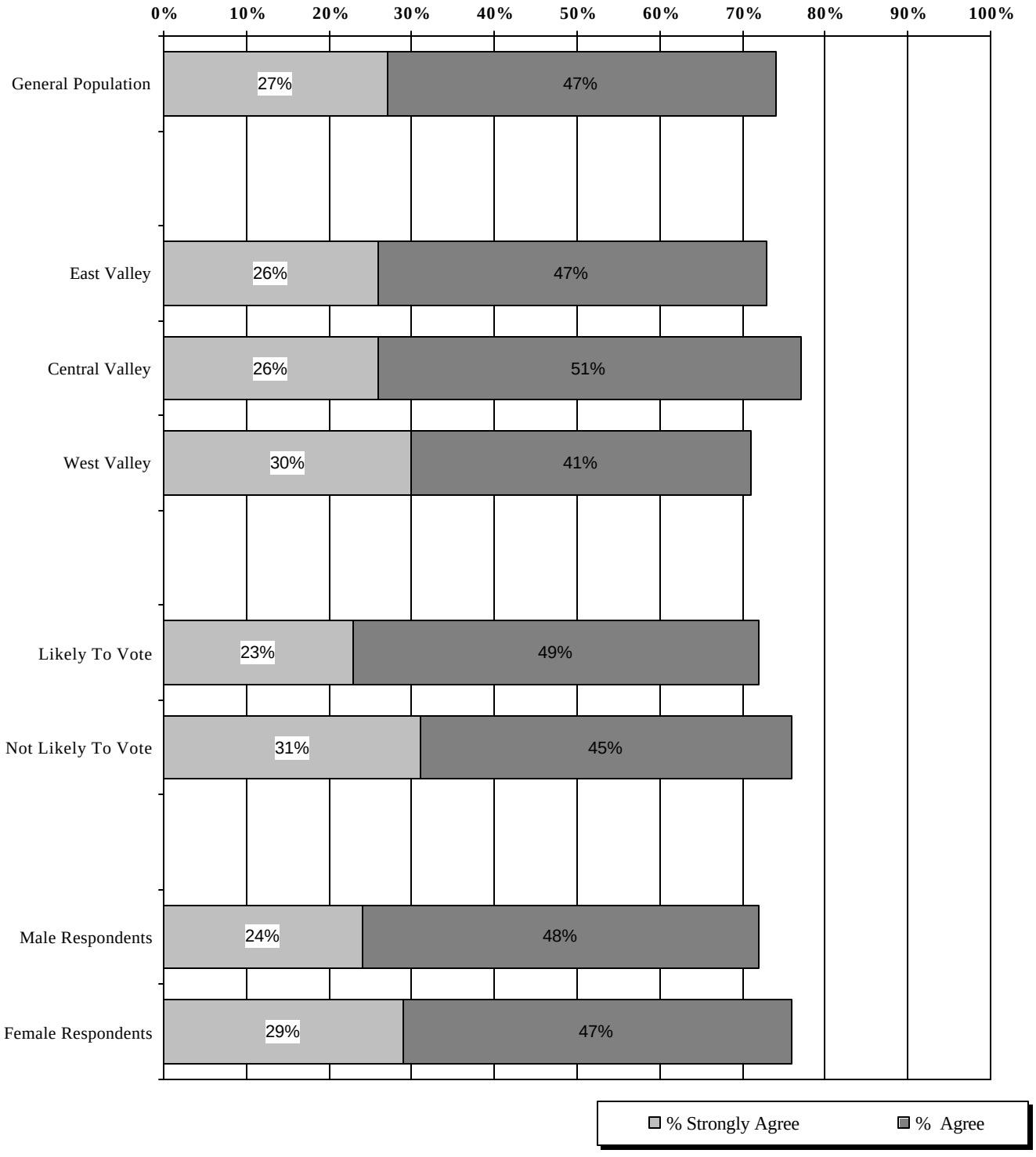
Conducted by Maricopa County Research and Reporting

Sales Taxes Should Be Used To Support County Health System



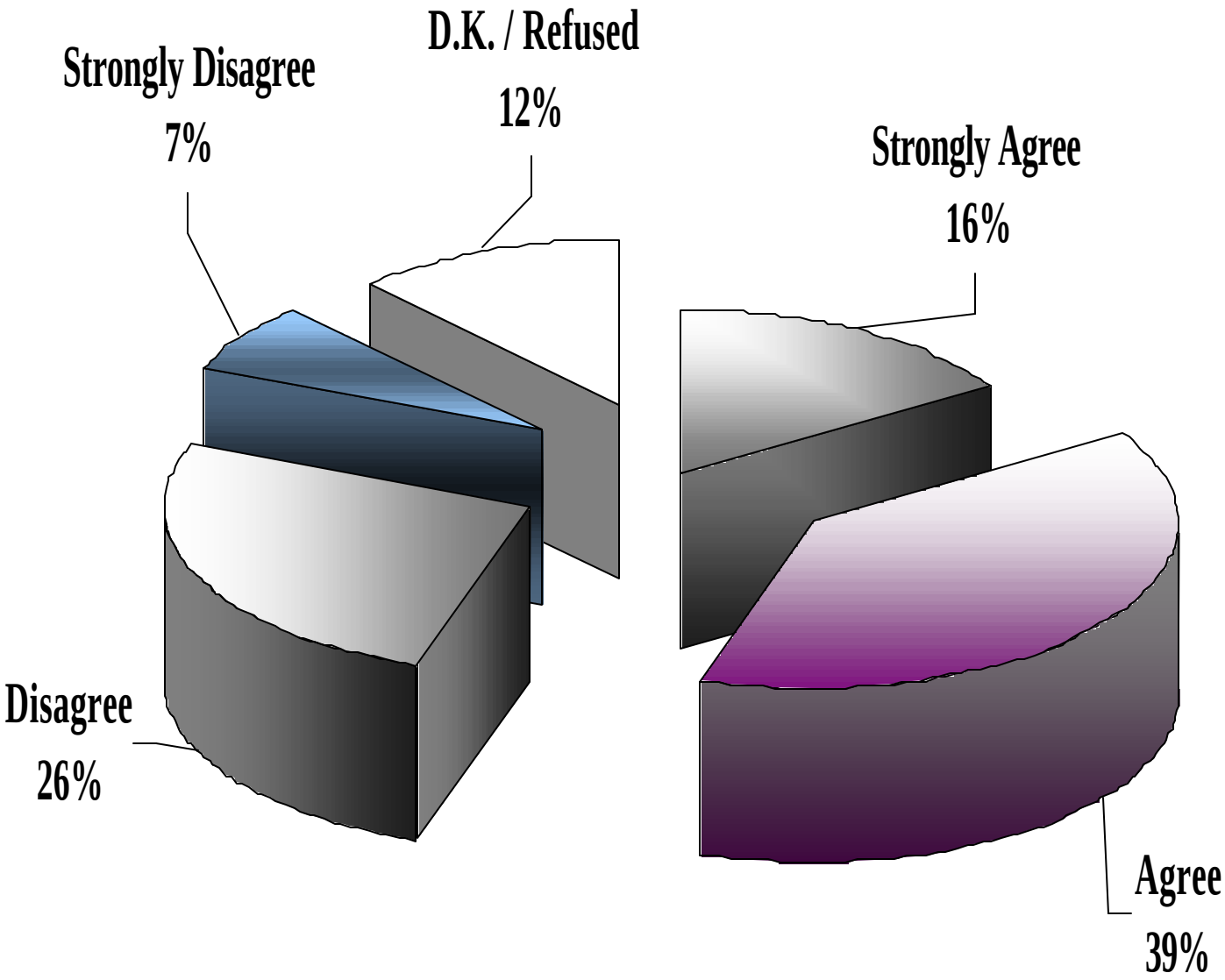
And how much do you agree or disagree that funds raised through sales taxes should be used to support the county health system?

Percent In Agreement That Funds Raised Through *Sales* Taxes Should Be Used To Support The County Health System



Conducted by Maricopa County Research and Reporting

Property Taxes Should Be Used To Support County Health System

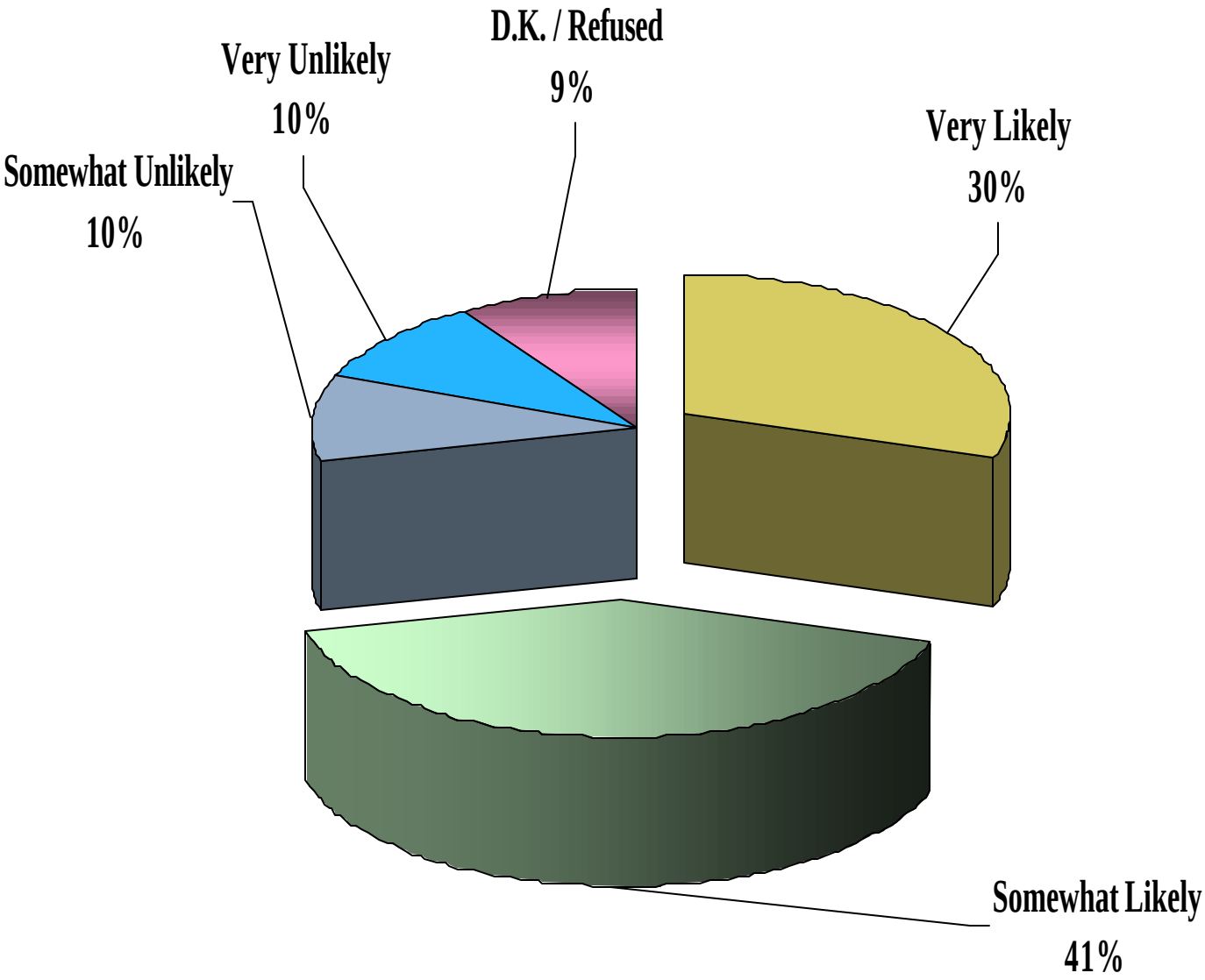


What about funds raised through property taxes?

Percent In Agreement That Funds Raised Through *Property* Taxes Should Be Used To Support The County Health System

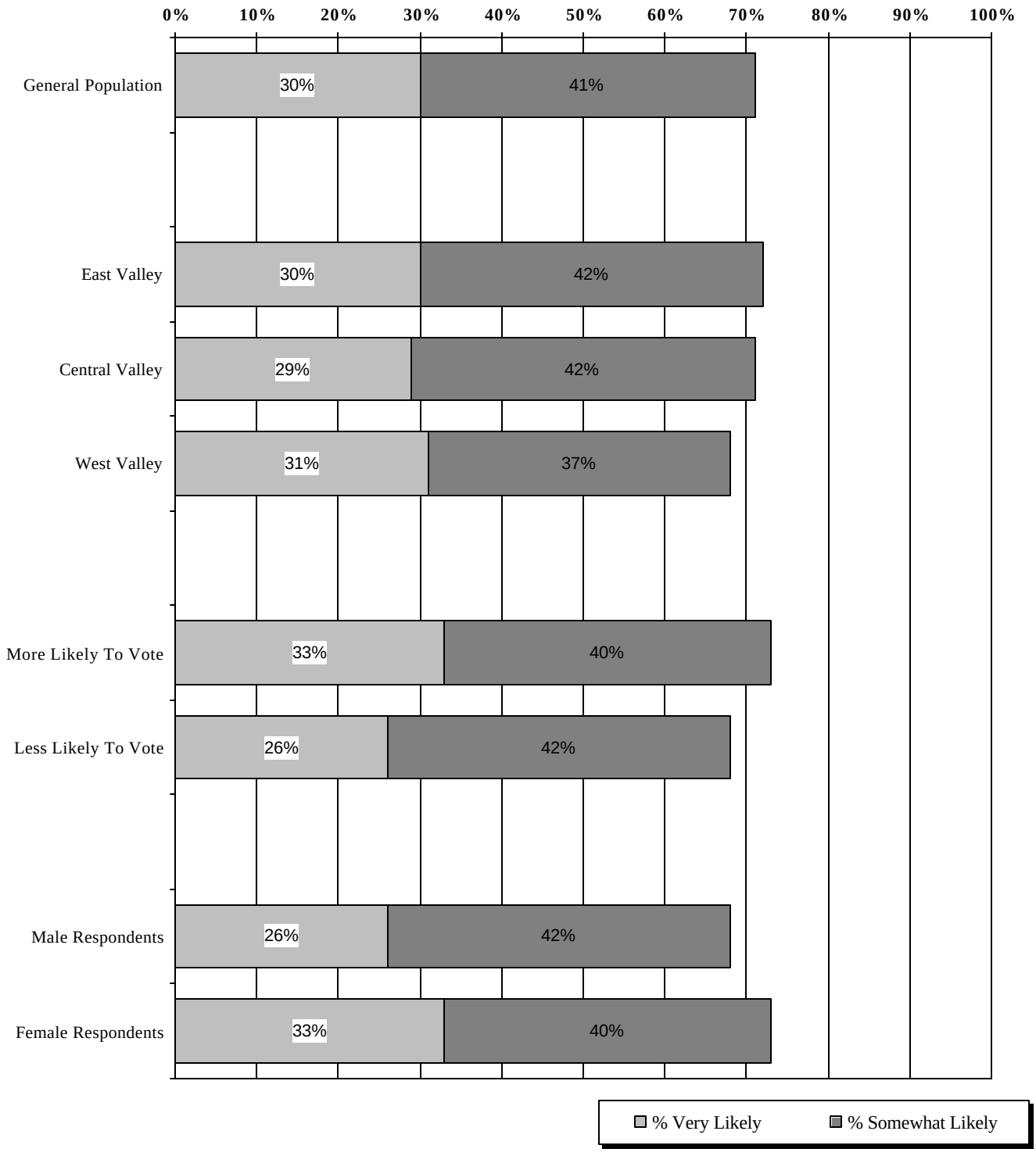
Conducted by Maricopa County Research and Reporting

Likelihood Of Supporting Bond Election for MIHS Funding



How likely is it that you would support a bond election for funds to support the county health system including the Maricopa Medical Center?

Percent Likely To Support Bond Election

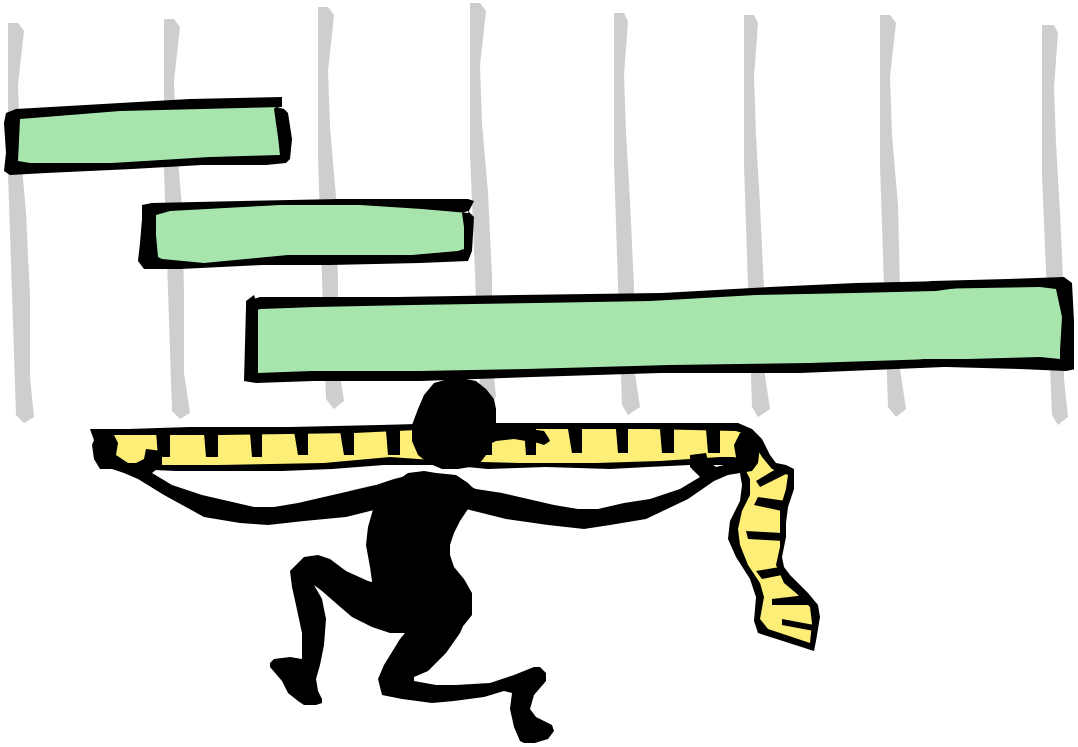


Conducted by Maricopa County Research and Reporting

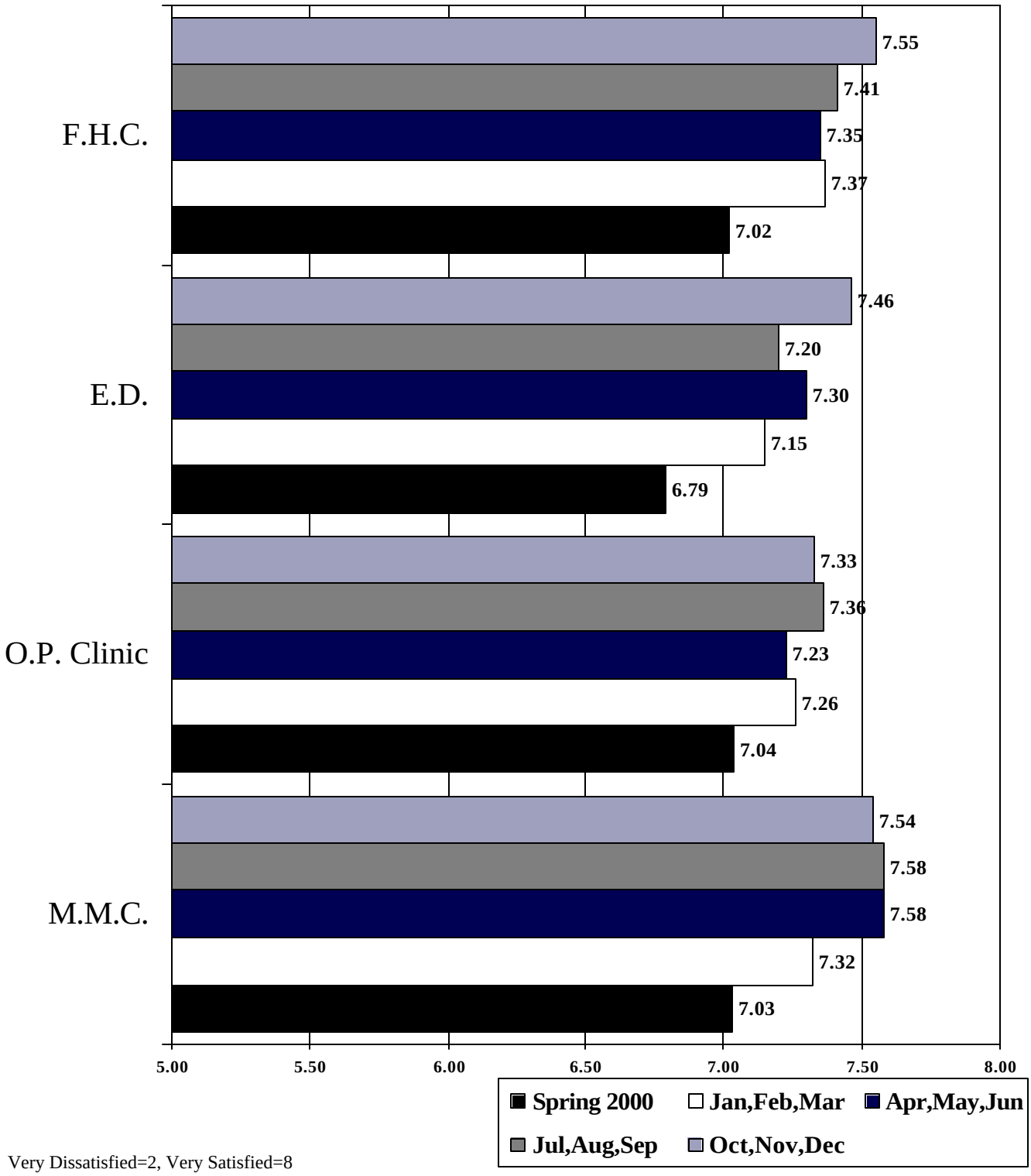
MARICOPA INTEGRATED HEALTH SYSTEM

CLIENT SATISFACTION SURVEY

October, November, December 2002



MARICOPA INTEGRATED HEALTH SYSTEM
CLIENT SATISFACTION SURVEY
Composite Scores
October, November, December 2002

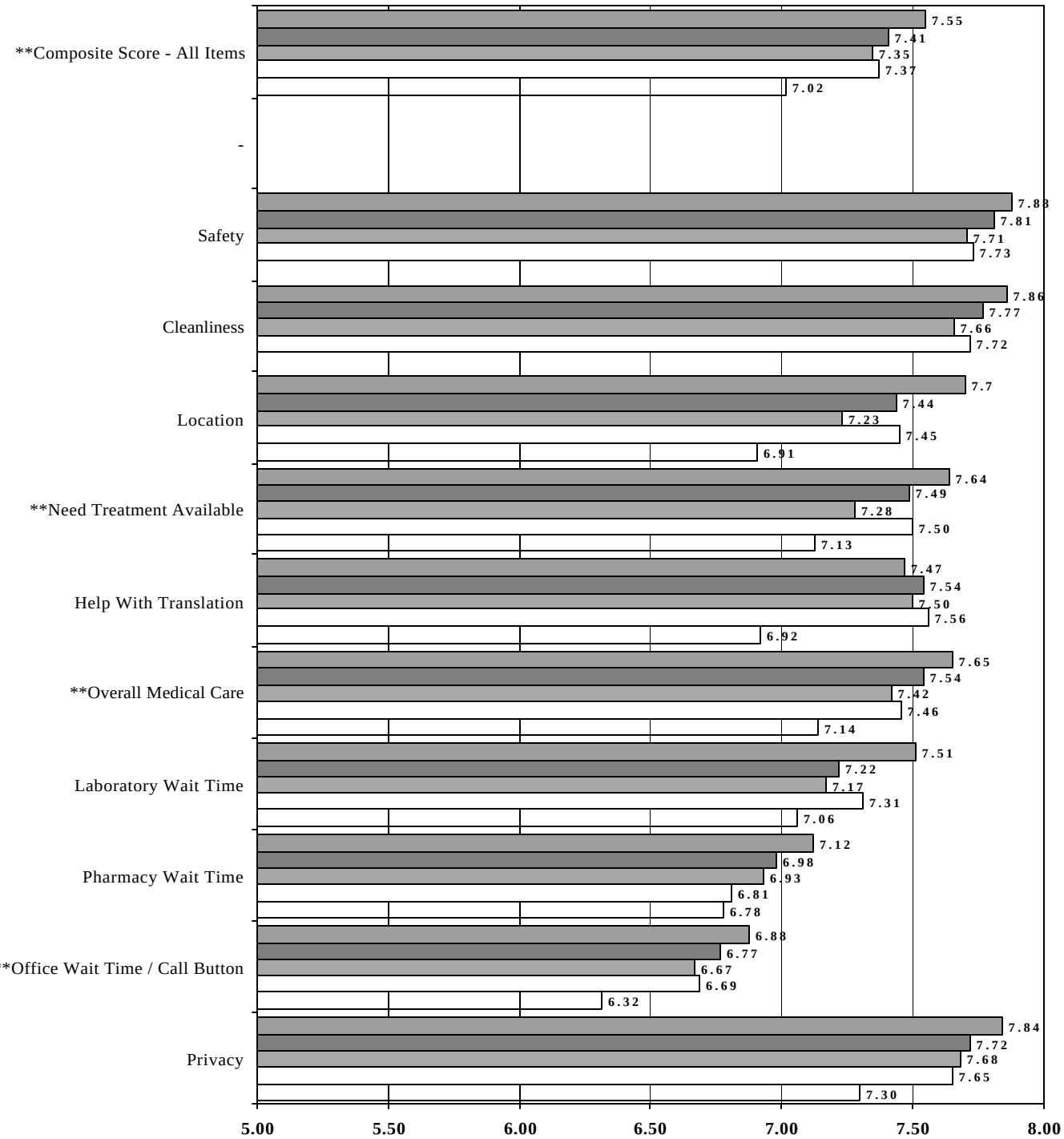


Very Dissatisfied=2, Very Satisfied=8

Score of 5 is neutral, 8 is highest score possible

Conducted by Maricopa County
Research and Reporting

MARICOPA INTEGRATED HEALTH SYSTEM
CLIENT SATISFACTION SURVEY
Family Health Centers - Page 1
October, November, December 2002



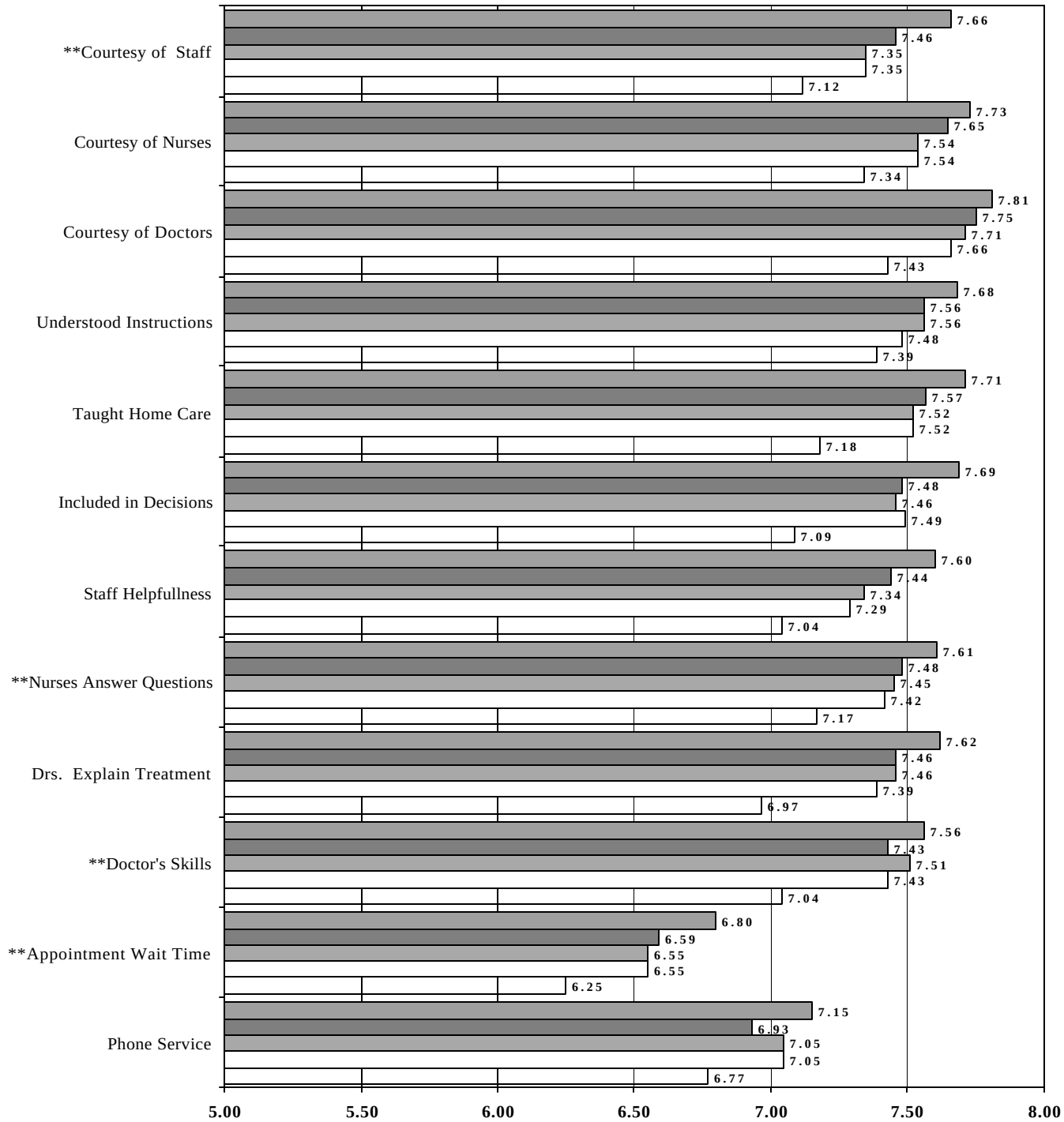
** Key Indicator

Very Dissatisfied=2, Very Satisfied=8

Score of 5 is neutral, 8 is highest score possible

Conducted by Maricopa County
Research and Reporting

MARICOPA INTEGRATED HEALTH SYSTEM
CLIENT SATISFACTION SURVEY
Family Health Centers - Page 2
October, November, December 2002



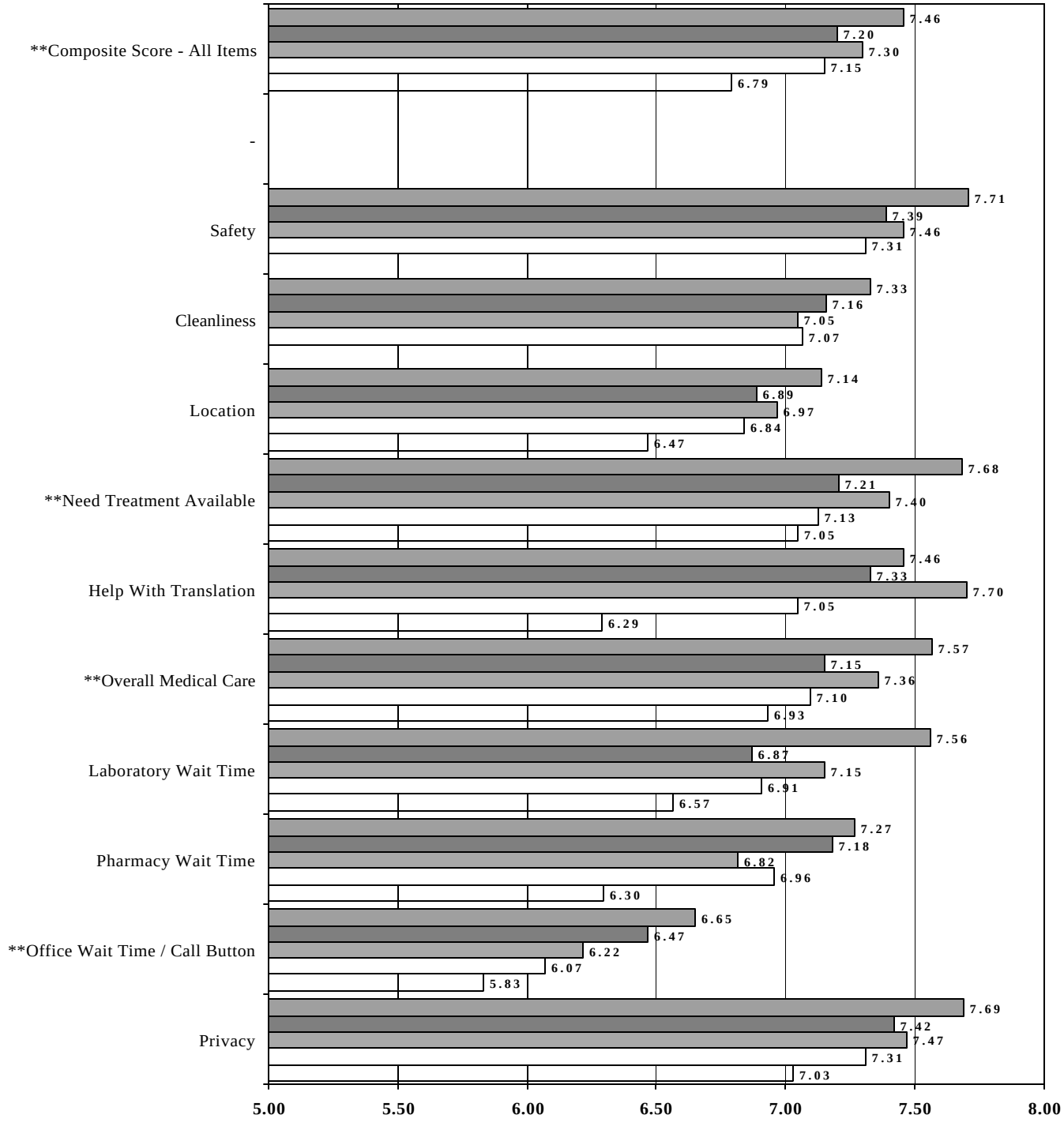
** Key Indicator

Very Dissatisfied=2, Very Satisfied=8

Score of 5 is neutral, 8 is highest score possible

Conducted by Maricopa County
Research and Reporting

MARICOPA INTEGRATED HEALTH SYSTEM
CLIENT SATISFACTION SURVEY
M.M.C. Emergency Department - Page 1
October, November, December 2002



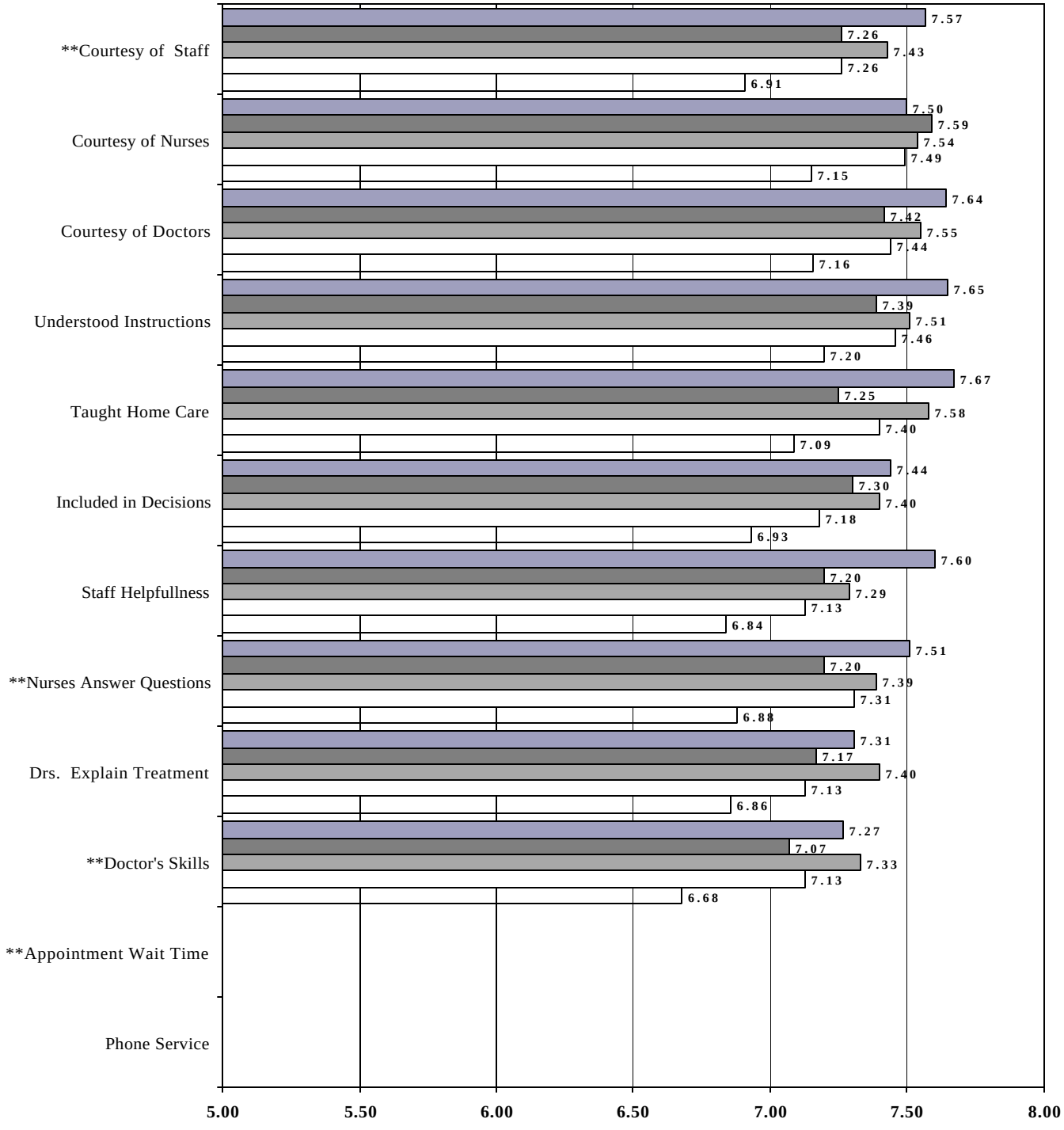
** Key Indicator

Very Dissatisfied=2, Very Satisfied=8

Score of 5 is neutral, 8 is highest score possible

Conducted by Maricopa County
Research and Reporting

MARICOPA INTEGRATED HEALTH SYSTEM
CLIENT SATISFACTION SURVEY
M.M.C. Emergency Department - Page 2
October, November, December 2002



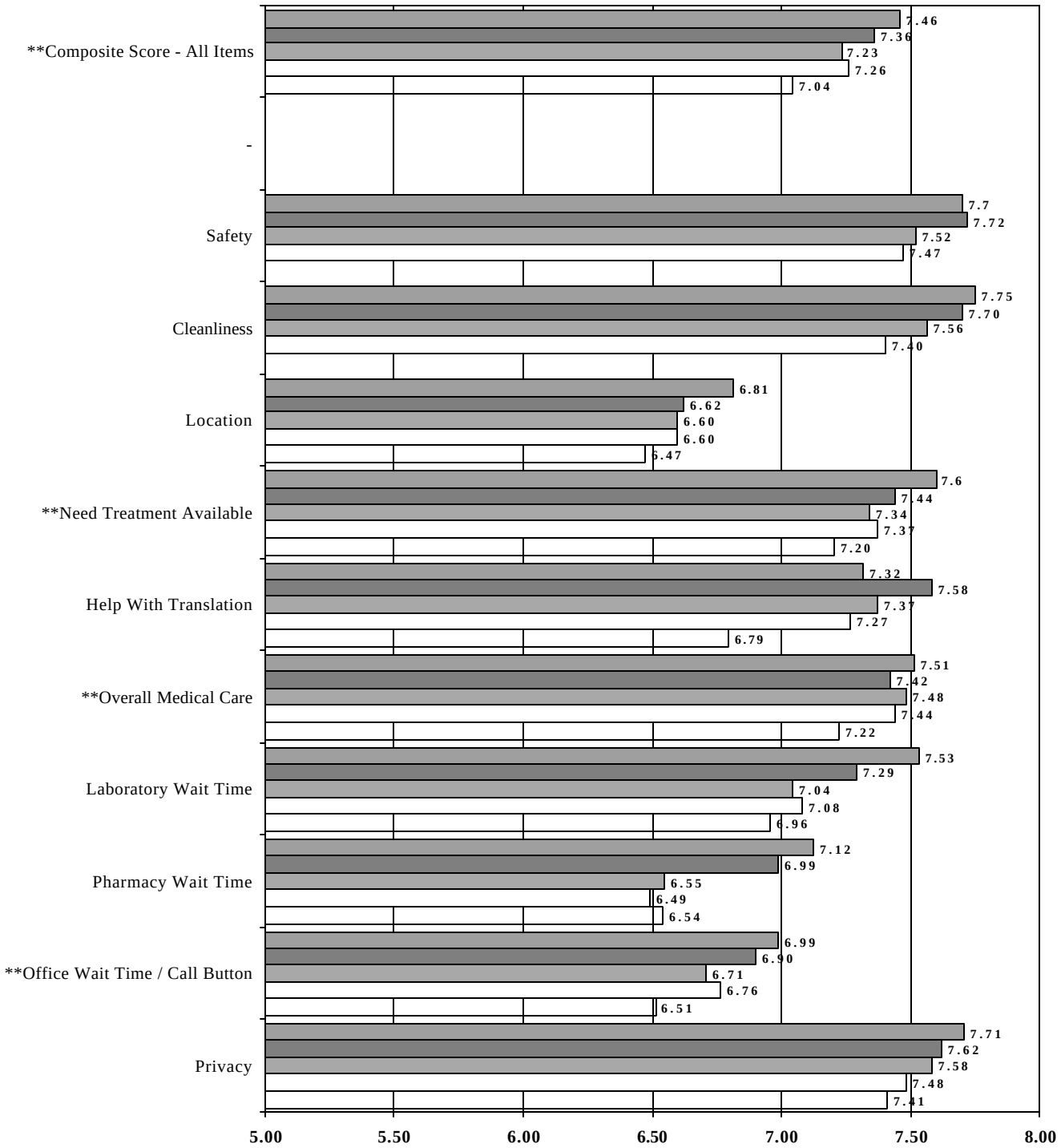
** Key Indicator

Very Dissatisfied=2, Very Satisfied=8

Score of 5 is neutral, 8 is highest score possible

Conducted by Maricopa County Research and Reporting

MARICOPA INTEGRATED HEALTH SYSTEM
CLIENT SATISFACTION SURVEY
M.M.C. Outpatient Clinics -Page 1
October, November, December 2002



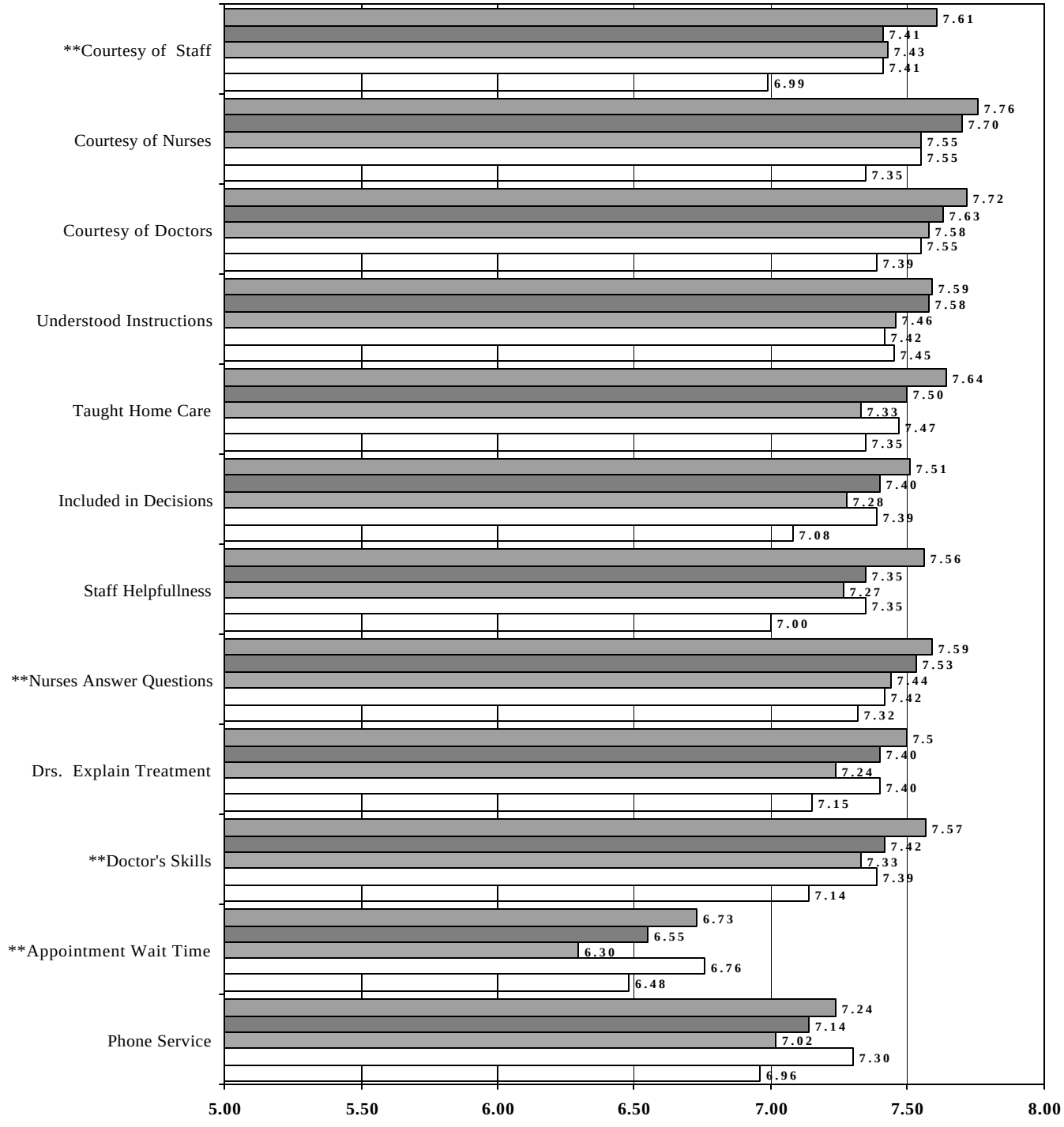
** Key Indicator

Very Dissatisfied=2, Very Satisfied=8

Score of 5 is neutral, 8 is highest score possible

Conducted by Maricopa County
Research and Reporting

MARICOPA INTEGRATED HEALTH SYSTEM
CLIENT SATISFACTION SURVEY
M.M.C. Outpatient Clinics - Page 2
October, November, December 2002



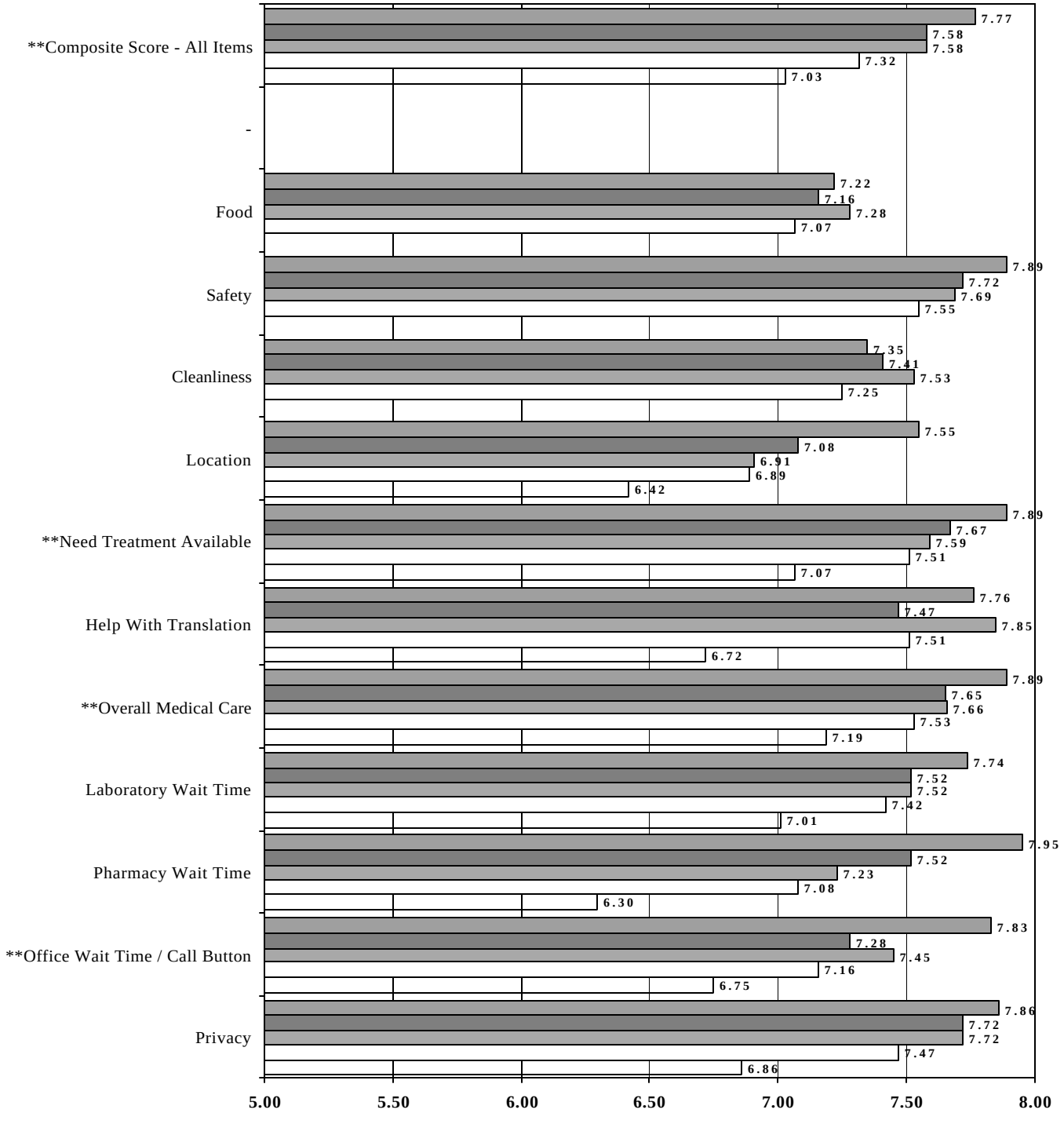
** Key Indicator

Very Dissatisfied=2, Very Satisfied=8

Score of 5 is neutral, 8 is highest score possible

Conducted by Maricopa County Research and Reporting

MARICOPA INTEGRATED HEALTH SYSTEM
CLIENT SATISFACTION SURVEY
M. M. C. Inpatient - Page 1
October, November, December 2002



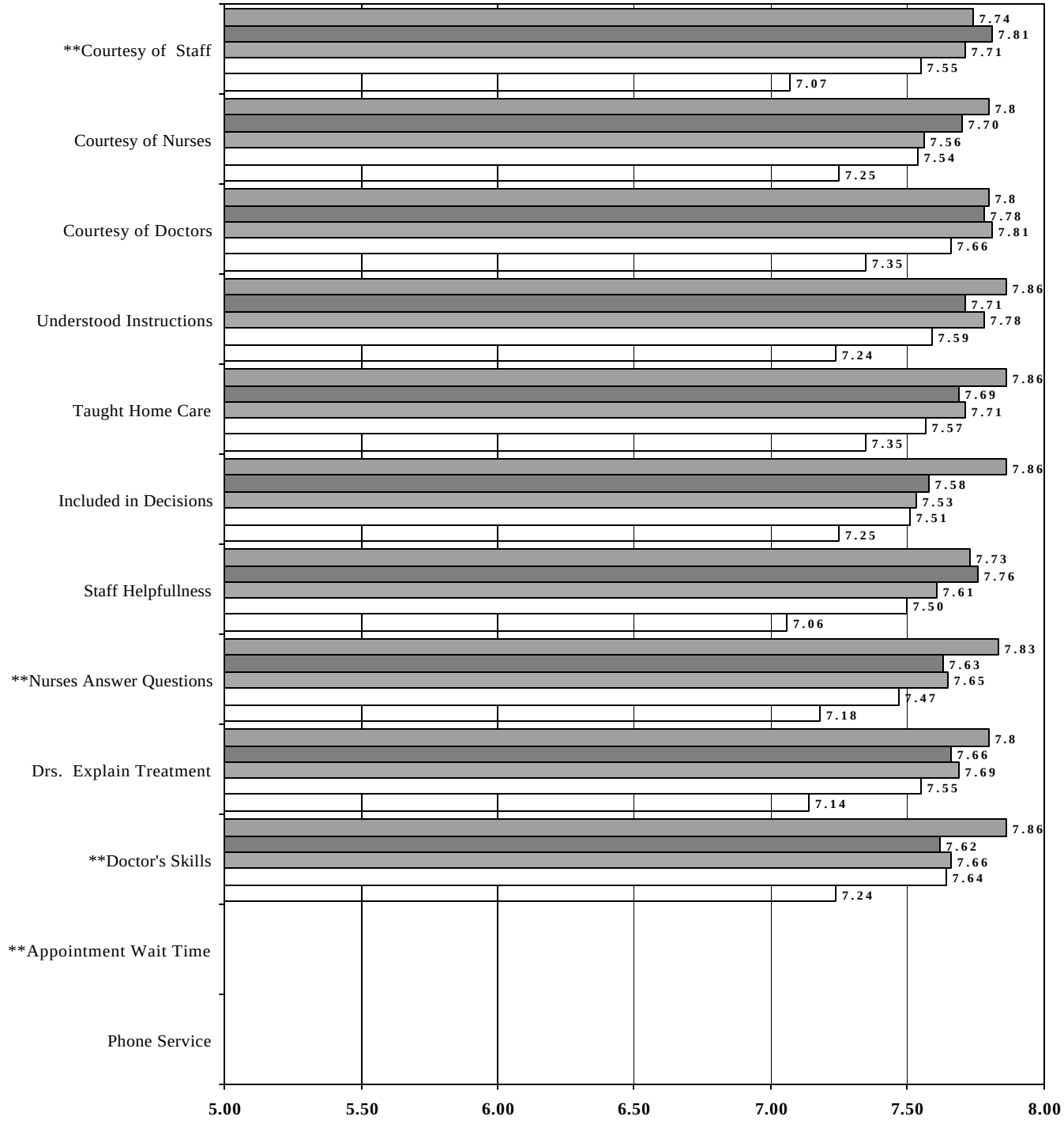
** Key Indicator

Very Dissatisfied=2, Very Satisfied=8

Score of 5 is neutral, 8 is highest score possible

Conducted by Maricopa County Research and Reporting

MARICOPA INTEGRATED HEALTH SYSTEM
CLIENT SATISFACTION SURVEY
M. M. C. Inpatient - Page 2
October, November, December 2002



** Key Indicator

Very Dissatisfied=2, Very Satisfied=8

Score of 5 is neutral, 8 is highest score possible

Conducted by Maricopa County Research and Reporting

MARICOPA COUNTY HEALTHCARE SYSTEM OPTIONS

2/13/03 DRAFT -- FOR DISCUSSION PURPOSES ONLY

CRITERIA	STATUS QUO	SALE/LEASE TO FOR- PROFIT A.R.S. §§ 11-251(9), 11-256 AND 11-306	LEASE TO NONPROFIT A.R.S. §§ 11-256.01 AND 11-306	HOSPITAL DISTRICT A.R.S. § 48-1901	LEASE TO NONPROFIT A.R.S. § 11-1401	PUBLIC HEALTH SERVICES DISTRICT A.R.S. § 48-5801
	A	B	C	D	E	F
Form of Governance	The Board of Supervisors is charged with the ultimate responsibility for governing MIHS. The Board has elected to delegate certain powers to the Hospital Board.	The for-profit corporation would be governed by its own board of directors of private citizens.	The nonprofit corporation would be governed by its own board of directors of private citizens.	The hospital district is governed by an elected five member citizen board of directors. None of the members may be elected or appointed officials.	Separate board of directors governs the nonprofit corporate that leases and operates MIHS, but the Board of Supervisors approves the initial board.	The Board of Supervisors serves as the Board of Directors of the public health services district ("**PHSD**").
Creation	N/A	Any individuals could incorporate a for-profit corporation to take title to or to lease MIHS assets. The Board of Supervisors could only lease or sell MIHS real property assets pursuant to an auction, and then only for a value not less that 90% of the appraised value of such assets.	Any individuals could incorporate a nonprofit corporation. The County could lease MIHS real property to a nonprofit corporation upon a majority vote of the County Board of Supervisors for less than fair market value, unless a third party offers a bid to lease MIHS assets that equals or exceeds fair rental value, in which case the County would have to auction such real property.	Requires Department of Health Services approval. Requires petitions, public hearings and a public vote to authorize taxes.	"Existing" nonprofit corporations may respond to a request for expressions of interest to lease and operate MIHS, or a "newly formed" nonprofit corporation may lease and operate MIHS if no qualified existing nonprofit corporations are interested in operating MIHS.	Vote by electors, or unanimous vote of Board of Supervisors.
Limited County Liability	The County has absolute liability.	The for-profit purchaser/lessee is a separate legal entity; as a result, the County would not be liable for the obligations of the for-profit purchaser/lessee. The County's insulation from liability, however, could be eroded if AHCCCS requires the County to guarantee obligations under the health plans.	The nonprofit lessee is a separate entity; as a result, the County would not be liable for the obligations of the nonprofit lessee. The County's insulation from liability, however, could be eroded if AHCCCS requires the County to guarantee obligations under the health plans.	The hospital district is a separate legal entity. The obligations of the hospital district would not be the obligations of the County.	The statute clearly states that the County is not liable for the debts of the nonprofit corporation; insulation from liability could be eroded, however, if AHCCCS requires the County to guarantee obligations under the health plans.	The PHSD is a separate legal entity; as a result, the obligations of the PHSD are not the obligations of the County.

CRITERIA	STATUS QUO	SALE/LEASE TO FOR- PROFIT A.R.S. §§ 11-251(9), 11-256 AND 11-306	LEASE TO NONPROFIT A.R.S. §§ 11-256.01 AND 11-306	HOSPITAL DISTRICT A.R.S. § 48-1901	LEASE TO NONPROFIT A.R.S. § 11-1401	PUBLIC HEALTH SERVICES DISTRICT A.R.S. § 48-5801
	A	B	C	D	E	F
Access to Capital **Tax Authority** **Bond Authority**	The County has the authority to both tax and bond for MIHS capital needs.	No taxing authority. The for-profit entity would have the power to enter into conventional loan agreements or to issue corporate bonds. Access to capital could be a problem, unless the for-profit entity invested its own capital.	No taxing authority. The nonprofit entity would have the power to enter into conventional loan agreements or to issue corporate bonds. Access to capital could be a problem, unless the nonprofit entity invested its own capital.	The hospital district has the power to levy a property tax, subject to voter approval. Bonds may be issued for both capital and operational requirements. Taxing authority is limited to the greater of: $600,000 (1989 dollars) or 10% of prior year's expenses.	The nonprofit entity has no taxing authority. Even though the nonprofit has no taxing authority, the entity may issue corporate bonds. Access to capital could be a problem.	May levy either a property tax or a sales tax. Tax proceeds may be used for capital and operational requirements. Sales tax is capped at 2% of the tax rate otherwise applicable to each business, and the property tax is capped at $.25 per $100 of assessed valuation. No bonding authority.
Power to Joint Venture	No power to joint venture.	May joint venture.	May joint venture.	May joint venture.	May joint venture.	May joint venture.
County Debt and Expenditure Limits	MIHS debt and expenditures are included within the County's debt and expenditure limits.	Debt and expenditures of the for-profit entity are not included in the County's debt and expenditure limits.	Debt and expenditures of the nonprofit entity are not included in the County's debt and expenditure limits.	Debt and expenditure limits of the hospital district are not included within County debt and expenditure limits.	Debt and expenditures of the nonprofit entity are not included in the County's debt and expenditure limits.	Debt and expenditures of the PHSD are not included in the County's debt and expenditure limits.
Deed Restriction	Continued County ownership and operation of the Medical Center fully complies with the deed restriction.	Still may be a problem, unless the County can contract with the for-profit entity to use MIHS for "county hospital purposes."	Still may be a problem, unless the County can contract with the nonprofit entity to use MIHS for "county hospital purposes."	Still may be a problem, unless the County can contract with the hospital district to use MIHS for "county hospital purposes."	The statute expressly acknowledges that the nonprofit entity's use of MIHS is for "county hospital purposes."	Still may be a problem, unless the County can contract with the PHSD to use MIHS for "County Hospital Purposes."
Procurement	The County must comply with procurement rules governing the construction of public works; the County may (however) adopt a procurement policy tailored to MIHS needs.	Not subject to procurement rules.	Not subject to procurement rules.	Fully subject to public procurement requirements.	Not subject to procurement rules.	Fully subject to procurement rules applicable to public entities.
Public Records	The County is subject to the Arizona Public Records Act, except for narrow exceptions authorized for MIHS (e.g., care and treatment of patients).	Not subject to public records laws.	Not subject to public records laws.	Fully subject to public records laws.	Not subject to public records laws.	Fully subject to public records laws.
Bond Restrictions (Bonds paid off 7/1/04)	The County's operation of MIHS complies with the tax-exempt bond covenants.	The use of MIHS property must comply with County bond covenants. A for-profit entity probably would have difficulty complying with the County's tax-exempt bond covenants.	The nonprofit entity's use of MIHS property must comply with County bond covenants.	The hospital district's use of MIHS can probably be structured to comply with County tax-exempt bond covenants.	The nonprofit entity's use of MIHS property must comply with County bond covenants.	The PHSD's use of MIHS can probably be structured to comply with County tax-exempt bond covenants.

CRITERIA	STATUS QUO	SALE/LEASE TO FOR- PROFIT A.R.S. §§ 11-251(9), 11-256 AND 11-306	LEASE TO NONPROFIT A.R.S. §§ 11-256.01 AND 11-306	HOSPITAL DISTRICT A.R.S. § 48-1901	LEASE TO NONPROFIT A.R.S. § 11-1401	PUBLIC HEALTH SERVICES DISTRICT A.R.S. § 48-5801
	A	B	C	D	E	F
Dispro Share	The County's continued operation of MIHS provides the best alternative for recovering sales tax proceeds that the State withholds from the County for dispro share local match.	Still a problem; previously, payments to the County (in this case, either pursuant to a lease or as purchase payments) were intended to be sufficient to compensate the County for sales tax withheld by the State for the local match. With the larger amounts of sales tax that have been withheld by the State, this now becomes a more difficult problem.	Still a problem; previously, the lease and other payments to the County were intended to be sufficient to compensate the County for sales tax withheld by the State for the local match. With the larger amounts of sales tax that have been withheld by the State, this now becomes a more difficult problem.	Still a problem. The hospital district can be included in a dispro share government pool, but there is no guarantee that sales tax proceeds withheld by the State can be returned to the County from the hospital district.	Still a problem; previously the lease and other payments to the County were intended to be sufficient to compensate the County for sales tax withheld by the State for the dispro share local match. With the larger amounts of sales tax that have been withheld by the State, this now becomes a more difficult problem.	Still a problem. The PHSD can be included in a dispro share governmental pool, but there is no guarantee that County sales tax proceeds retained by the State can be returned to the County from the PHSD.
Transfer of Health Plans	N/A	May transfer.	May transfer.	Not clear that the hospital district could take ownership of the health plans.	May transfer.	Not clear that the PHSD can take ownership of the health plans.
Operation of Health Plans	No change in operation of health plans.	For-profit entities can operate health plans, but it is not clear whether AHCCCS would permit the entity to operate the health plans without County financial backing, unless the for-profit has appreciable assets/reserves.	Nonprofit entities can operate health plans, but it is not clear whether AHCCCS would permit the entity to operate the health plans without County financial backing, unless the nonprofit that is selected to lease MIHS has appreciable assets/reserves.	Ownership of the health plans by the hospital district may be a problem, but the hospital district can probably provide medical services to health plan members.	Nonprofit entities can operate health plans, but given the likelihood that a nonprofit entity created solely to lease and operate MIHS will not have significant capital, it is not clear whether AHCCCS would permit the entity to operate the health plans without County financial backing, unless the nonprofit that is selected to lease MIHS has appreciable assets/reserves.	Ownership of the health plans by the PHSD may be a problem, but the PHSD can probably provide medical services to health plan members.
AHCCCS/ALTCS Deposits	There would be no change in these deposits.	Still a problem if the health plans are transferred to the for-profit entity, unless the transfer of the deposits can be characterized as part of the overall consideration of an acceptable transaction.	Still a problem if the health plans are transferred to the nonprofit entity, unless the transfer of the deposits can be characterized as part of the overall consideration of an acceptable transaction.	Only an issue if the health plans are transferred to the hospital district. Probably no constitutional gift issue regarding the transfer of the deposits because the hospital district is a governmental entity.	Still a problem if the health plans are transferred to the nonprofit entity, unless the transfer of the deposits can be characterized as part of the overall consideration of an acceptable transaction.	Only an issue if the health plans are transferred to the PHSD. Probably no constitutional gift issues because the PHSD is a governmental entity.

CRITERIA	STATUS QUO	SALE/LEASE TO FOR- PROFIT A.R.S. §§ 11-251(9), 11-256 AND 11-306	LEASE TO NONPROFIT A.R.S. §§ 11-256.01 AND 11-306	HOSPITAL DISTRICT A.R.S. § 48-1901	LEASE TO NONPROFIT A.R.S. § 11-1401	PUBLIC HEALTH SERVICES DISTRICT A.R.S. § 48-5801
	A	B	C	D	E	F
HR Flexibility	No change in employee status. The County has the flexibility to use an employee merit system tailored to MIHS needs.	As a for-profit entity, its employees would not be subject to restrictions applicable to public employees.	As a nonprofit entity, its employees would not be subject to restrictions applicable to public employees.	All employees would still be subject to restrictions applicable to public employees.	As a nonprofit entity, its employees would not be subject to restrictions applicable to public employees.	All employees would still be subject to restrictions applicable to public employees.
AHCCCS/ALTCS Guarantee Liability	N/A	Unless the for-profit entity has appreciable assets, it is not clear whether AHCCCS would require the County to guarantee the for-profit's health plan obligations.	Given the likelihood that the nonprofit entity will not have appreciable assets, it is not clear whether AHCCCS would require the County to guarantee the nonprofit's health plan obligations.	Given that the hospital district has taxing authority, it is possible that AHCCCS would not continue to require the County to guarantee the health plan obligations of the hospital district.	Given the likelihood that the nonprofit entity will not have appreciable assets, it is not clear whether AHCCCS would require the County to guarantee the nonprofit's health plan obligations.	Given that the PHSD has taxing authority, it is possible that AHCCCS would not continue to require the County to guarantee the health plan obligations of the PHSD.
Timing	No change; therefore no timing problem.	Without a voter approval requirement, this option could be implemented more quickly.	Without a voter approval requirement, this option could be implemented more quickly.	Given the public hearing and voter approval requirements, it is not likely that this option could be implemented quickly.	Without a voter approval requirement, this option could be implemented more quickly, but still requires a request for and evaluation of expressions of interest.	Not a problem if the Board of Supervisors is willing to proceed without a public vote.
Assets Transferred at Reduced Rate	N/A	Cannot get the assets to the for-profit unless receive 90% of fair market value of the real property.	Probably not a problem, given Kromko, but would require unanimous consent of the Board of Supervisors for personal property that is conveyed for less than fair market value.	Not a problem, but would require unanimous consent of the Board of Supervisors for personal property that is conveyed for less than fair market value.	Probably not a problem given Kromko. In addition, the statute provides that any MIHS lease agreement or other conveyance of MIHS assets is "presumed to have been conveyed for their current fair market value."	Not a problem, but would require unanimous consent of the Board of Supervisors for personal property that is conveyed for less than fair market value.
Real Property Tax Liability	None.	Would be subject to property taxes.	As a nonprofit entity, it would not be subject to property taxes.	Property of hospital district would not be subject to property tax.	As a nonprofit entity, it would not be subject to property taxes.	Property of PHSD would not be subject to property taxes.
Licenses/Permits	No change.	The for-profit entity would have to satisfy all licensure and permit requirements.	The nonprofit entity would have to satisfy all licensure and permit requirements.	The hospital district would have to satisfy all licensure and permit requirements.	The nonprofit entity would have to satisfy all licensure and permit requirements.	The PHSD would have to satisfy all licensure and permit requirements.
Department of Insurance (DOI) Oversight and Regulation	N/A	If the health plans are transferred to the for-profit entity, general governmental exemptions from DOI regulation and oversight will be lost.	If the health plans are transferred to the nonprofit entity, general governmental exemptions from DOI regulation and oversight will be lost.	DOI approval may be required for health plans (offered to County employees) that are transferred to a hospital district, because only cities, towns and counties are exempt from DOI oversight pursuant to A.R.S. § 11-981.	If the health plans are transferred to the nonprofit entity, general governmental exemptions from DOI regulation and oversight will be lost.	DOI approval may be required for health plans (offered to County employees) that are to be transferred to the PHSD, because only cities, towns and counties are exempt from DOI oversight pursuant to A.R.S. § 11-981.

CRITERIA	STATUS QUO	SALE/LEASE TO FOR- PROFIT A.R.S. §§ 11-251(9), 11-256 AND 11-306	LEASE TO NONPROFIT A.R.S. §§ 11-256.01 AND 11-306	HOSPITAL DISTRICT A.R.S. § 48-1901	LEASE TO NONPROFIT A.R.S. § 11-1401	PUBLIC HEALTH SERVICES DISTRICT A.R.S. § 48-5801
	A	B	C	D	E	F
Maintenance of Effort	County may close the Medical Center after July 1, 2003 unless legislation is enacted before July 1, 2003 that (1) authorizes the County to establish a "special district or nonprofit corporation" to operate and maintain MIHS, and (2) also permits certain offsets for Kino.	None.	None.	None.	No explicit maintenance of effort requirement, but the nonprofit entity must maintain, operate, and manage the health system assets that are transferred to the nonprofit entity. The nonprofit entity must "consider" all County employees for employment by the nonprofit entity. The nonprofit must also agree to continue to provide care to the indigent as one of the nonprofit entities "primary missions."	The County may not reduce expenditures for public health to less than 50% to 60% of levels that existed prior to PHSD's formation.
Transfer and Operation of FHC's	No change.	No problem.	No problem.	Under A.R.S. § 48-1907, a hospital district is only authorized to operate at a single location: a hospital, an urgent care center, a combined hospital and ambulance service or a combined urgent care center and ambulance service. Could not operate FHCs.	No problem.	Not clear that PHSD can operate the FHC's, but the County can make a reasonable argument that operation of the FHC's could be included within a broad definition of "public health."
Accreditation	No change.	Probably not a problem	Probably not a problem.	Probably not a problem.	Probably not a problem.	Probably not a problem.
County-Provided Insurance	N/A	The County probably could not provide the for-profit entity insurance.	The County probably could not provide the nonprofit entity insurance.	If the County so elected, it could probably provide insurance to the hospital district pursuant to an IGA.	The County probably could not provide insurance to the nonprofit entity.	If the County so elected, it could probably provide insurance to the PHSD pursuant to an IGA.
Zoning/Land Use Restrictions	No change.	Need to check to see if any of the clinics have zoning approvals that are conditioned upon the clinic being operated by the County or another governmental entity.	Need to check to see if any of the clinics have zoning approvals that are conditioned upon the clinic being operated by the County or another governmental entity.	Probably not a problem, but need to check in each jurisdiction to see if continued County use is required.	Need to check to see if any of the clinics have zoning approvals that are conditioned upon the clinic being operated by the County or another governmental entity.	Probably not a problem, but need to check in each jurisdiction to see if continued County use is required.

CRITERIA	STATUS QUO	SALE/LEASE TO FOR- PROFIT A.R.S. §§ 11-251(9), 11-256 AND 11-306	LEASE TO NONPROFIT A.R.S. §§ 11-256.01 AND 11-306	HOSPITAL DISTRICT A.R.S. § 48-1901	LEASE TO NONPROFIT A.R.S. § 11-1401	PUBLIC HEALTH SERVICES DISTRICT A.R.S. § 48-5801
	A	B	C	D	E	F
Employee Retirement	No change.	Arizona State Retirement System not available.	Arizona State Retirement System not available.	Arizona State Retirement System probably available.	The statute permits employees who are close to vesting a right to participate in the Arizona State Retirement System to remain as County employees "on loan" to the nonprofit entity.	Arizona State Retirement System probably available.
Issues	Debt and expenditure limits. Capital improvement requirements. Cash flow.	Auction requirement. Must obtain 90% of appraised value for real property. Can only transfer personal property with a value less that $15,000 without an auction. Access to capital.	Access to capital. May only lease (rather than sell) the real property; could limit the nonprofit's access to debt financing. To integrate MIHS into the current University Medical Center Corporation in Tucson ("**UMC**"), leasing to UMC under existing laws could be explored.	Cannot operate FHCs. Transfer of health plans.	The nonprofit entity must indemnify the County for all liabilities in connection with the operation of the MIHS, including pre-transfer date liabilities and must complete all construction contracts. Must continue to provide health care to the indigent. Access to capital.	No clear definition of "public health." Transfer of health plans. Operation of FHC's could be a problem. No public vote authorized to approve taxation.

CRITERIA	SPECIAL HEALTHCARE DISTRICT A.R.S. § 48-5501	UNIVERSITY MEDICAL CENTER OPTION A.R.S. § 15-1637	PIMA COUNTY OPTION A.R.S. § 11-256.03	2002 COMPREHENSIVE PUBLIC HEALTH SERVICES DISTRICT OPTION
	G	H	I	J
Form of Governance	An elected five member citizen board governs the special health care district ("**SHCD**"). No member may be an elected or appointed State or County official.	The nonprofit corporation ("**UMC**") is governed by a board of directors appointed by the Board of Regents. Were legislation adopted authorizing a nonprofit entity in Maricopa County patterned after UMC, the board of directors of the nonprofit entity would be appointed by the Board of Supervisors.	The nonprofit corporation is governed by a board of directors; not clear under the statute how the board would be designated. Were legislation adopted authorizing a nonprofit entity in Maricopa County patterned after Pima County, the board of directors of the nonprofit entity would be appointed by the Board of Supervisors.	The Board of Supervisors would serve as the Board of Directors of the enhanced public health services district ("**Enhanced PHSD**").
Creation	The statute spells out a process for creating a SHCD, but that process is restricted to smaller counties (population less than 90,000 persons). It is questionable whether larger counties may use the SHCD option. Even if a larger county did pursue the SHCD option, there is no method for creating a SHCD in larger counties, and without clear statutory authority for larger counties to use the SHCD option, it may be difficult to obtain appropriate bond counsel opinions in connection with bond issues.	UMC was created pursuant to Articles of Incorporation and Bylaws approved by the Board of Regents.	It is not clear under the statute how the nonprofit that leases or otherwise acquires the County hospital would be created. As written, the Pima County option could not be used in Maricopa County because the Pima County option is restricted to counties having a population greater than 250,000 but less than 1,000,000. Majority vote of Board of Supervisors required to approve.	Vote by electors, or unanimous vote of Board of Supervisors.
Limited County Liability	The SHCD is a separate entity. The obligations of the SHCD would not be the obligations of the County.	The UMC option is silent concerning Maricopa County liability, but if legislation were adopted authorizing a nonprofit entity in Maricopa County patterned after the UMC option, the nonprofit entity would be a separate legal entity; as a result, the obligations of the nonprofit entity would not be the obligations of Maricopa County.	The Pima County option is silent concerning Maricopa County liability, but if legislation were adopted authorizing a nonprofit entity in Maricopa County patterned after the Pima County option, the nonprofit entity would be a separate legal entity; as a result, the obligations of the nonprofit entity would not be the obligations of Maricopa County.	The PHSD would be a separate legal entity; as a result, the obligations of the Enhanced PHSD would not be the obligations of the County.

CRITERIA	SPECIAL HEALTHCARE DISTRICT A.R.S. § 48-5501	UNIVERSITY MEDICAL CENTER OPTION A.R.S. § 15-1637	PIMA COUNTY OPTION A.R.S. § 11-256.03	2002 COMPREHENSIVE PUBLIC HEALTH SERVICES DISTRICT OPTION
	G	H	I	J
Access to Capital **Tax Authority** **Bond Authority**	The SHCD has the power to levy a property tax, subject to voter approval. Bonds may be issued for both capital and operational requirements. Taxing authority is limited to the greater of: $600,000 (1989 dollars) or 10% of prior year's expenses.	Initially, the Board of Regents funded UMC operations. UMC has the power to issue bonds and enter into conventional loans. UMC has no taxing authority. Were legislation adopted authorizing a nonprofit entity in Maricopa County patterned after UMC, it is not clear how the entity would fund operations initially.	A nonprofit entity created under the Pima County option may issue revenue bonds and enter into conventional loans.	The Enhanced PHSD would be able to levy either a property tax or a sales tax. Tax proceeds would be used for capital and operational requirements. Sales tax would be capped at 2% of the tax rate otherwise applicable to each business, and the property tax would be capped at $.25 per $100 of assessed valuation. Bonding authority would be authorized and the imposition of a tax would be an issue that could be submitted to a popular vote
Power to Joint Venture	May joint venture.	May joint venture.	Nonprofit entity created under Pima County option may joint venture.	Statute would more clearly permit the Enhanced PHSD to take advantage of joint venture opportunities with the private sector.
County Debt and Expenditure Limits	Debt and expenditure limits of the SHCD would not be included within County debt and expenditure limits.	Debts and expenditures of UMC do not constitute debts or expenditures of the Board of Regents. Were legislation adopted authorizing a nonprofit entity in Maricopa County patterned after UMC, the debts and expenditures of the nonprofit entity would not constitute the debts or expenditures of Maricopa County.	Debts and expenditures of the nonprofit entity do not constitute debts or expenditures limits of the County. Were legislation adopted authorizing a nonprofit entity in Maricopa County patterned after Pima County, the debts and expenditures of the nonprofit entity would not constitute the debts or expenditures of Maricopa County.	Debt and expenditures of the Enhanced PHSD would not be included in the County's debt and expenditure limits.
Deed Restriction	Still may be a problem, unless the County can contract with the SHCD to use MIHS for "county hospital purposes."	Even if legislation is adopted authorizing a nonprofit entity in Maricopa County patterned after UMC, the deed restriction still may be a problem, unless the County can contract with the entity to use MIHS for "county hospital purposes."	Even if legislation is adopted authorizing a nonprofit entity in Maricopa County patterned after the Pima County option, the deed restriction still may be a problem, unless Maricopa County can contract with the entity to use MIHS for "county hospital purposes."	Statute would expressly acknowledge that the Enhanced PHSD's use of MIHS would be for "county hospital purposes."

CRITERIA	SPECIAL HEALTHCARE DISTRICT A.R.S. § 48-5501	UNIVERSITY MEDICAL CENTER OPTION A.R.S. § 15-1637	PIMA COUNTY OPTION A.R.S. § 11-256.03	2002 COMPREHENSIVE PUBLIC HEALTH SERVICES DISTRICT OPTION
	G	H	I	J
Procurement	Fully subject to public procurement requirements.	UMC not subject to public procurement rules.	The nonprofit entity is not subject to public procurement rules.	The Enhanced PHSD would have to comply with procurement rules governing the construction of public works; the Enhanced PHSD could (however) adopt a procurement policy tailored to MIHS needs.
Public Records	Fully subject to public records laws.	UMC is required by statute (A.R.S. § 15-1638) to comply with the Public Records Act, but UMC is granted exceptions (e.g., proprietary information is protected).	The nonprofit entity is arguably subject to public records laws.	The Enhanced PHSD would be subject to the Arizona Public Records Act, except for narrow exceptions authorized for MIHS (e.g., care and treatment of patients).
Bond Restrictions (Bonds paid off 7/1/04)	The SHCD use of MIHS can probably be structured to comply with County tax-exempt bond covenants.	Were legislation adopted authorizing a nonprofit entity in Maricopa County patterned after the UMC option and if the nonprofit entity leased property financed with Maricopa County tax exempt bonds, the nonprofit entity would have to comply with Maricopa County bond covenants.	Were legislation adopted authorizing a nonprofit entity in Maricopa County patterned after the Pima County option, and if the nonprofit entity leased property financed with Maricopa County tax-exempt bonds, the nonprofit entity would have to comply with Maricopa County bond covenants.	The Enhanced PHSD's use of the MIHS could probably be structured to comply with County tax-exempt bond covenants.
Dispro Share	Still a problem. The SHCD can be included in a dispro share government pool, but there is no guarantee that sales tax proceeds withheld by the State can be returned to the County from the SHCD.	Even if legislation is adopted authorizing a nonprofit entity in Maricopa County patterned after UMC, dispro share is still a problem; previously, the lease and other payments to the County were intended to be sufficient to compensate the County for sales tax withheld by the State for the local match. With the larger amounts withheld by the State, this now becomes a more difficult problem.	Even if legislation is adopted authorizing a nonprofit entity in Maricopa County patterned after Pima County, dispro share is still a problem; previously, the lease and other payments to the County were intended to be sufficient to compensate the County for sales tax withheld by the State for the local match. With the larger amounts withheld by the State, this now becomes a more difficult problem.	Still a problem. The Enhanced PHSD could be included in a dispro share governmental pool, but there is no guarantee that County sales tax proceeds retained by the State could be returned to the County from the Enhanced PHSD.
Transfer of Health Plans	Not clear that the SHCD could take ownership of the health plans.	May transfer. (A.R.S. § 15-1637.G.2)	May transfer. (A.R.S. § 11-256.03.A)	The Enhanced PHSD would clearly have the authority to take ownership of the Health Plans.

CRITERIA	SPECIAL HEALTHCARE DISTRICT A.R.S. § 48-5501	UNIVERSITY MEDICAL CENTER OPTION A.R.S. § 15-1637	PIMA COUNTY OPTION A.R.S. § 11-256.03	2002 COMPREHENSIVE PUBLIC HEALTH SERVICES DISTRICT OPTION
	G	H	I	J
Operation of Health Plans	Even though the SHCD probably cannot own the health plans, the SHCD could provide medical services to health plan members.	Nonprofit entities (like a nonprofit patterned after UMC) can operate health plans, but it is not clear whether AHCCCS would permit the entity to operate the health plans without Maricopa County financial backing, unless the nonprofit that is selected to lease MIHS has appreciable assets/reserves.	Nonprofit entities (like a nonprofit entity created under the Pima County model) can operate health plans, but it is not clear whether AHCCCS would permit the entity to operate the health plans without Maricopa County financial backing, unless the nonprofit that is selected to lease MIHS has appreciable assets/reserves.	The Enhanced PHSD would clearly have the authority to operate the Health Plans.
AHCCCS/ALTCS Deposits	Only an issue if the health plans are transferred to the SHCD. Probably no constitutional gift issue regarding the transfer of the deposits because the SHCD is a governmental entity.	Still a problem if the health plans are transferred to a nonprofit entity patterned after UMC, unless the transfer of the deposits can be characterized as part of the overall consideration of an acceptable transaction.	Still a problem if the health plans are transferred to a nonprofit entity patterned after the Pima County option, unless the transfer of the deposits can be characterized as part of the overall consideration of an acceptable transaction.	Only an issue if the health plans would be transferred to the Enhanced PHSD. Probably no constitutional gift issues because the Enhanced PHSD would be a governmental entity.
HR Flexibility	All employees would still be subject to restrictions applicable to public employees.	Employees of a nonprofit entity patterned after UMC would not be subject to restrictions applicable to public employees.	Employees of a nonprofit entity patterned after the Pima County option would not be subject to restrictions applicable to public employees.	The Enhanced PHSD would have the flexibility to use an employee merit system tailored to the needs of MIHS.
AHCCCS/ALTCS Guarantee Liability	Given that the SHCD has taxing authority, it is possible that AHCCCS would not continue to require the County to guarantee the health plan obligations of the SHCD.	Given the likelihood that a nonprofit entity patterned after UMC would not have appreciable assets, it is not clear whether AHCCCS would require Maricopa County to guarantee the nonprofit's health plan obligations.	Given the likelihood that a nonprofit entity patterned after the Pima County option would not have appreciable assets, it is not clear whether AHCCCS would require Maricopa County to guarantee the nonprofit's health plan obligations.	Given that the Enhanced PHSD would have taxing authority, it is possible that AHCCCS would not continue to require the County to guarantee the health plan obligations of the Enhanced PHSD.
Timing	If the procedures for creating a SHCD in a county with a population greater than 90,000 could be determined, it would take time to submit the question to voters.	The UMC option does not include a voter-approval requirement. As a result, if legislation authorizing a nonprofit entity in Maricopa County patterned after UMC were adopted, it could be implemented more quickly.	The Pima County option does not include a voter-approval requirement. As a result, if legislation authorizing a nonprofit entity in Maricopa County patterned after the Pima County option were adopted, it could be implemented more quickly.	If the Enhanced PHSD would be created by unanimous vote of the Board of Supervisors, timing for the creation of the Enhanced PHSD would not be a problem. If, however, the Board of Directors of the Enhanced PHSD submits the question of taxes to the electorate, this option would take more time.

CRITERIA	SPECIAL HEALTHCARE DISTRICT A.R.S. § 48-5501	UNIVERSITY MEDICAL CENTER OPTION A.R.S. § 15-1637	PIMA COUNTY OPTION A.R.S. § 11-256.03	2002 COMPREHENSIVE PUBLIC HEALTH SERVICES DISTRICT OPTION
	G	H	I	J
Assets Transferred at Reduced Rate	Not a problem, but would require unanimous consent of the Board of Supervisors for personal property that is conveyed for less than fair market value.	Probably not a problem, given Kromko, but would require unanimous consent of the Board of Supervisors for personal property that is conveyed for less than fair market value. The UMC statute includes a provision whereby it is "presumed" that assets are transferred at fair market value. It is not clear whether this would take precedence over the Title 11 provisions which require unanimous consent of the Board of Supervisors to transfer personal property at less than fair market value.	The Pima County model prohibits the transfer of property for less than fair market value.	Not a problem, but would require unanimous consent of the Board of Supervisors for personal property that is conveyed for less than fair market value.
Real Property Tax Liability	Property of SHCD would not be subject to property tax.	As a nonprofit entity, it would not be subject to property taxes.	As a nonprofit entity, it would not be subject to property taxes.	Property of the Enhanced PHSD would not be subject to property taxes.
Licenses/Permits	The SHCD would have to satisfy all licensure and permit requirements.	The nonprofit entity would have to satisfy all licensure and permit requirements.	The nonprofit entity would have to satisfy all licensure and permit requirements.	The Enhanced PHSD would have to satisfy all licensure and permit requirements.
Department of Insurance (DOI) Oversight and Regulation	DOI approval may be required for health plans (offered to County employees) that are transferred to the SHCD, because only cities, towns and counties are exempt from DOI oversight pursuant to A.R.S. § 11-981.	If the health plans are transferred to the nonprofit entity, general governmental exemptions from DOI regulation and oversight will be lost.	If the health plans are transferred to the nonprofit entity, general governmental exemptions from DOI regulation and oversight will be lost.	DOI approval may be required for health plans (offered to County employees) that would be transferred to the Enhanced PHSD, because only cities, towns and counties are exempt from DOI oversight pursuant to A.R.S. § 11-981.
Maintenance of Effort	None.	None.	None.	The County would be barred from reducing expenditures for public health to less than 50% to 60% of levels (exclusive of expenditures related to the operation of the health system) that existed prior to the Enhanced PHSD's formation.
Transfer and Operation of FHC's	The SHCD would be permitted to operate the FHCs, assuming that no patients stay at a clinic overnight, and assuming that no patients are treated under general anesthesia at any of the FHCs.	No problem.	No problem.	The Enhanced PHSD would have clear authority to operate the FHC's.
Accreditation	Probably not a problem.	Probably not a problem.	Probably not a problem.	Probably not a problem.

CRITERIA	SPECIAL HEALTHCARE DISTRICT A.R.S. § 48-5501	UNIVERSITY MEDICAL CENTER OPTION A.R.S. § 15-1637	PIMA COUNTY OPTION A.R.S. § 11-256.03	2002 COMPREHENSIVE PUBLIC HEALTH SERVICES DISTRICT OPTION
	G	H	I	J
County-Provided Insurance	If the County so elected, it could probably provide insurance to the SHCD pursuant to an IGA.	The County probably could not provide the nonprofit entity insurance.	The County probably could not provide the nonprofit entity insurance.	If the County so elected, it could probably provide insurance to the Enhanced PHSD pursuant to an IGA.
Zoning/Land Use Restrictions	Probably not a problem, but need to check restrictions in each jurisdiction to see if continued County use is required.	Probably not a problem, but need to check restrictions in each jurisdiction to see if continued County use is required.	Probably not a problem, but need to check restrictions in each jurisdiction to see if continued County use is required.	Probably not a problem, but need to check in each jurisdiction to see if continued County use is required.
Employee Retirement	Arizona State Retirement System probably available.	Arizona State Retirement System not available.	Arizona State Retirement System not available.	Arizona State Retirement System probably available.
Issues	No clear statutory authority for a large county to use the SHCD option; may require legislation. Transfer of health plans.	Access to capital. Requires legislation.	Access to capital. Requires legislation.	All issues under the current statute that authorizes the creation of a PHSD would be addressed by proposed legislation.

Not Feasible

Several options are possible, but are not feasible (and why):

- Status Quo (State budget impacts on Maricopa County)
- Sale or Transfer Non-Profit (Non-Profit organizations generally lack sufficient capital)
- For Profit Auction (Requires that bidder pay at least 90% of fair market value)
- Sale or Transfer to State Board of Regents (Very unlikely given state budget issues)
- Hospital District (Petition requirements make it infeasible)
- Public Health Services District (County will need it for Public Health; Insufficient funding available; No bond capacity)

Recommendation

Two Recommendations (With Risk Parameters):

Plan A: Request Amendment to Existing Special Health Care District Statute (Higher Risk for MIHS survival as a system, Low Risk for Maricopa County)

Plan B: Restructure MIHS and recommend creation of Public Health Services District to fund a portion of operating costs and possibly pursuing a bond for infrastructure improvements (Low risk for MIHS survival as a system, Higher Risk for Maricopa County)

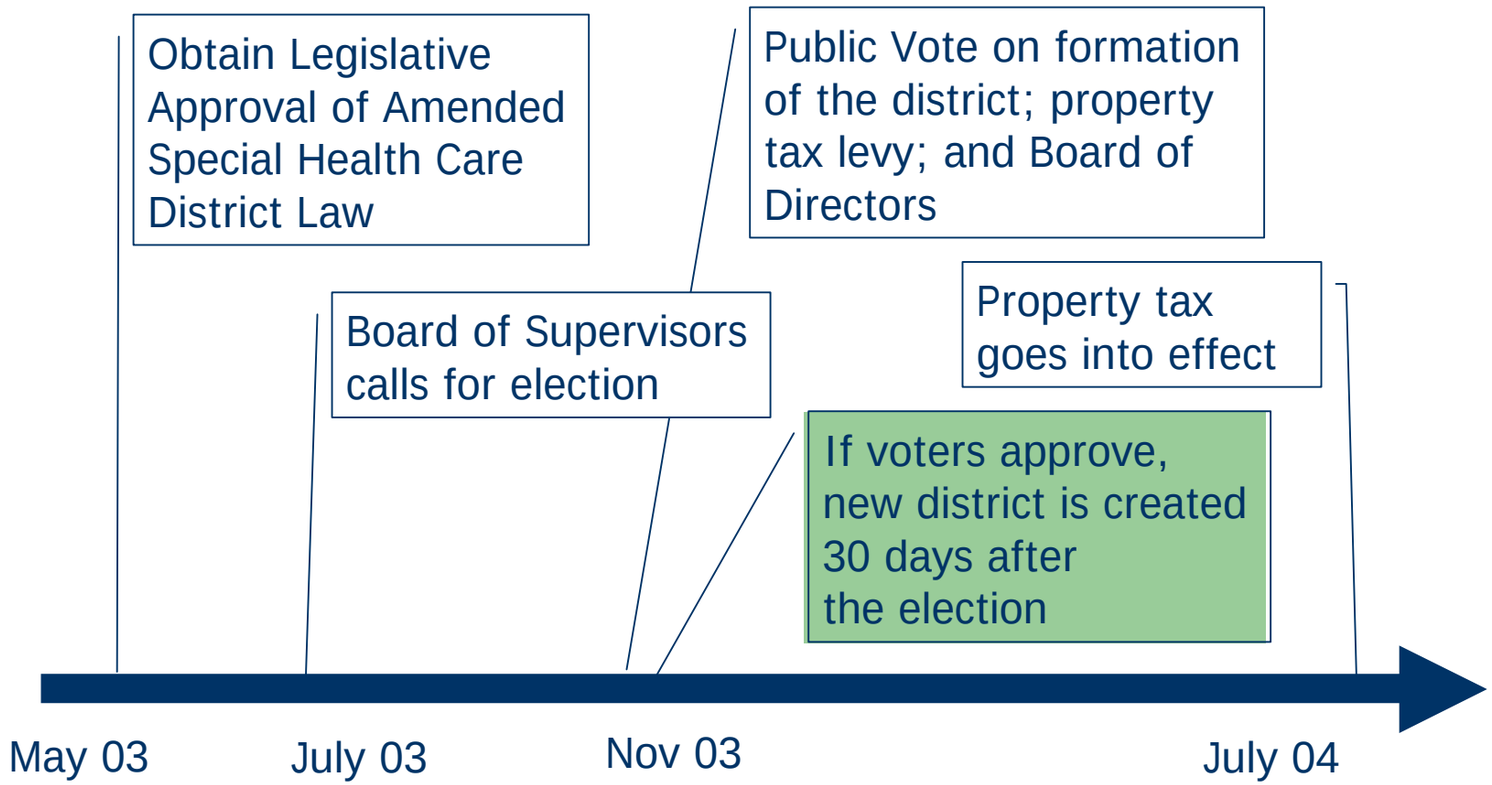
Recommendation

Plan A: Request Amendment to Existing Special Health Care District Statute:

- Remove population limitation of 90,000*
- Transfer mandate to keep the hospital open to the new district; Remove mandate if public vote to form a district fails*
- Authorize formation of districts in Counties which already operate a hospital
- Authorize public vote on formation of district in any year
- Authorize sales tax (using the same language as currently exists in the Public Health Services District statute)
- Authorize district to offer employee health plans without DOI approval
- Authorize district to participate in joint ventures with private health care organizations

** Essential amendments*

Timeline (Example)



Recommendation

Plan B: Restructure MIHS

- Conduct analysis to downsize MIHS to match fiscal constraints
- Request that Board of Supervisors consider authorizing:
  - Create Public Health Services District to help fund a portion of the operating costs of MIHS
  - Recommend that the Board of Supervisors authorize a bond issue vote for the purpose of funding MIHS capital needs